SASKATCHEWAN

Report of the Provincial Auditor

to the Legislative Assembly
of Saskatchewan

2001 Spring Report

Provincial Auditor Saskatchewan

1500 Chateau Tower
1920 Broad Street
Regina, Saskatchewan
S4P 3V7

Telephone: (306) 787-6398
Fax: (306) 787-6383

E-mail: info@auditor.sk.ca
Website: http://www.auditor.sk.ca/

ISSN 0581-8214

This Report and previous Reports are available on the Internet at http://www.auditor.sk.ca/

Vision

We envision effective, open and accountable government.

Mission

We serve the people of Saskatchewan through the Legislative Assembly.
We are committed to fostering excellence in public sector management and accountability.

Provincial Auditor Saskatchewan

1500 Chateau Tower
1920 Broad Street
Regina, Saskatchewan
S4P 3V7

SASKATCHEWAN

Phone: (306) 787-6366
Fax: (306) 787-6383
Internet e-mail: fwendel@auditor.sk.ca

101-05024/

May 23, 2001

The Honourable P. Myron Kowalsky
Speaker of the Legislative Assembly
Room 129, Legislative Building
REGINA, Saskatchewan
S4S 0B3

Dear Sir:

I have the honour of submitting my *2001 Spring Report*, to be laid before the Legislative Assembly in accordance with the provisions of Section 14 of *The Provincial Auditor Act*.

Respectfully yours,

Fred Wendel, CMA, CA
Acting Provincial Auditor

/dd

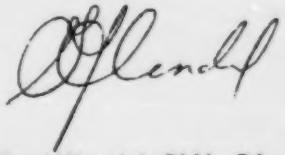
+1

Foreword

I am pleased to present my *2001 Spring Report* to the Legislative Assembly. This Report covers nearly 115 organizations with a primary focus on organizations with years ended December 31, 2000.

This Report is structured to facilitate referral of certain chapters in the Report to the Standing Committee on Crown Corporations. We made this change anticipating the enactment of Bill 14, currently before the Assembly. The Bill includes a change to *The Provincial Auditor Act* referring matters in our Reports dealing with the Crown Investments Corporation of Saskatchewan and the companies it supervises to this Committee. Accordingly, part of Chapter 10 and all of Chapters 11, 12, 13, and 14 of this Report should be referred to the Standing Committee on Crown Corporations.

I wish to thank all the staff and officials of the government organizations audited by my Office for their co-operation and assistance. Also, I wish to thank the staff of my Office for their constant pursuit of excellence in public sector management and reporting practices.



Regina, Saskatchewan
May 23, 2001

Fred Wendel, CMA, CA
Acting Provincial Auditor

Table of Contents

Chapter	Topic	Page
	Observations	i
1	Improving public sector planning and reporting	1
	Part A – Key processes to plan	5
	Part B – Capital asset plans	19
	Part C – Principles for performance reporting	31
2	Justice	45
3	Municipal Affairs, Culture and Housing	61
4	Education	87
	Part A – Education	89
	Part B – Maintaining a relevant core curriculum	97
5	Post-Secondary Education and Skills Training	113
6	Agriculture and Food	121
7	Workers' Compensation Board	131
8	Pensions	137
9	Finance	155
10	Standing Committee on Public Accounts	161
11	Crown Investments Corporation of Saskatchewan	199
12	Saskatchewan Telecommunications Holding Corporation	211
13	Saskatchewan Water Corporation	221
14	Information Services Corporation	229

Appendix 1	*The Provincial Auditor Act*	1-1
Appendix 2	List of and status of organizations subject to an examination under *The Provincial Auditor Act*	2-1

Table of Contents

Chapter	Topic	Page
Appendix 3	Examples of opinions we form on departments, Crown agencies, and Crown-controlled corporations	3-1
Appendix 4	Reports of appointed auditors	4-1

Observations

Introduction iii

Government's accountability initiatives iii

Other progress and concerns v

Changes to *The Provincial Auditor Act* vii

Our 2001 Reports viii

This page left blank intentionally.

Introduction

In this Spring 2001 Report to the Legislative Assembly, we set out the conclusions, findings, and recommendations of our Office for nearly 115 organizations. For the most part, these organizations have adequate financial management practices. Also, we received good co-operation from these organizations, which helped us in carrying out our responsibilities to the Assembly.

We make two main reports to the Assembly each year that set out our conclusions, findings, and recommendations arising from our audits. Our Spring reports focus on organizations with fiscal years ending December 31. Our Fall reports focus on organizations with fiscal years ending March 31.

Government's accountability initiatives

Improving the accountability relationship between the Government and the Legislative Assembly will improve the management of public resources. Sound public accountability relationships require:

- agreed-upon plans that are clear as to responsibilities, authority, resources, and expected results;
- reliable reports on actual results compared to planned results; and
- reasonable reviews of performance.

In this report, we continue to support the Government's accountability initiatives as a means of improving the management of public resources. In Chapter 1, **Improving public sector planning and reporting**, we set out key processes for effective planning, key elements of capital asset plans, and principles for useful performance reporting.

In our 2000 Fall Report – Volume 3, we described our plan to audit the Government's systems and practices for managing the key risks related to its infrastructure over the next few years. Maintaining good capital asset plans helps to reduce risks related to infrastructure. Our discussion of the key elements of capital asset plans relates to this focus on infrastructure.

Over the last few years, the Government established two main accountability initiatives. The first initiative applies to Crown Investments Corporation of Saskatchewan (CIC) and the corporations it supervises (e.g., Saskatchewan Power Corporation, Saskatchewan Telecommunications). This initiative is called the "Balanced Scorecard." The Balanced Scorecard is used to evaluate financial performance, as well as the achievement of objectives in the areas of innovation and growth, customer satisfaction, and public policy.

CIC and the corporations it supervises have made good progress in implementing the Balanced Scorecard to help manage their affairs. CIC approved a policy in January 2000 requiring public reporting of key elements of the Balanced Scorecard in the annual reports of CIC and the corporations it supervises. The policy sets minimum disclosure requirements for 2000 and additional requirements for 2002. The 2000 annual reports of three corporations exceed the minimum requirements. We commend CIC, SaskEnergy Incorporated, and Saskatchewan Transportation Company for doing so.

The second main accountability initiative applies to government departments. This initiative started in 1999, when the Government established a "comprehensive government accountability project" (Accountability Project). The Accountability Project expects departments to focus on the results (outcomes) of their spending and activities. Departments must set objectives, assign resources to achieve their objectives, manage their risks, and monitor their performance.

We continue to work with the Government's Accountability Project Group that is helping departments use the Accountability Framework. Departments have begun to use the Accountability Framework for planning and managing their affairs. We look forward to the departments making full use of the Accountability Framework.

To ensure continued commitment to the Accountability Framework, we encourage the Government to establish a policy requiring the public reporting of planned and actual results. The policy should set minimum disclosure requirements and a timetable to fulfill these requirements. This approach would be similar to the Government's approach in the CIC sector.

We commend the Government for continuing with these initiatives to improve its public accountability. The public benefits when accountability is strengthened because public resources are managed better. Also, legislators and the public have better information to understand, assess, and debate the Government's performance.

Other progress and concerns

This section highlights the progress that several government organizations have made strengthening their performance. We also note where more work is required.

In Chapter 7, we are pleased to report that we received good co-operation from the management and staff of the **Workers' Compensation Board** and its appointed auditor. As a result, we are able to provide timely information to the Legislative Assembly on the Board's performance. In past reports, we said that we were unable to provide timely information because of poor co-operation.

Developing large computer systems is risky. In Chapter 14, we describe how **Information Services Corporation** is planning to control the risks it faces as it implements the Lands project, a major computer system. The Lands system will contain all information related to Saskatchewan land including tracking land ownership and any encumbrances. In the Chapter, we set out the criteria that we will use to audit how it implements the new system.

In Chapter 2, **Department of Justice**, we report that the Office of the Public Trustee started to use a new computer system to manage its clients' affairs in October 1999. The Office's clients are unable to manage their own affairs. The Office did not have or acquire the necessary knowledge and skills in computer systems development to oversee the development of the new system. This deficiency contributed to the system being over budget, late, and still not meeting all of the Office's needs.

Due in part to the difficulties associated with the development of its new computer system, the Office of the Public Trustee did not properly protect its clients' money and other assets. The Office's rules and procedures did not prevent unauthorized access to clients' money and other assets without detection. The Office did not have reliable records of the amount

of money and other assets the Public Trustee holds for each client. The Office has not properly controlled the bank account holding the clients' money and has not properly controlled their other assets.

In Chapter 3, **Municipal Affairs, Culture and Housing**, we report that the Department's financial management practices for the Municipal Infrastructure Program are unacceptable. The Department has not yet ensured that the $9.7 million it paid to municipalities under the program was used as required by law.

We also report that the financial management practices of the First Nations Fund are unacceptable. The Trustees of the Fund did not spend public money with due care. Over the four years ending March 31, 2000, the Trustees did not ensure that the $33.7 million it paid to First Nation Bands and other organizations was used as required by the law.

In our 2000 Fall Report – Volume 3, we reported on the need for supervising agencies to ensure that Boards of Directors (Trustees) spend public money with due care. While Trustees are primarily responsible for ensuring that public money is spent with due care, supervising agencies are ultimately responsible for ensuring they do so. Given our findings regarding the Office of the Public Trustee and the First Nations Fund, we repeat this important message.

The Department of Intergovernmental and Aboriginal Affairs has been responsible for supervising the Trustees since August 2000. The Department of Municipal Affairs, Culture and Housing was responsible for supervising the Trustees of the First Nations Fund until August 2000. The Department of Justice is responsible for supervising the Office of the Public Trustee.

We encourage these Departments to improve their supervisory practices. They should act quickly to improve the financial management practices of the Office of the Public Trustee and the First Nations Fund.

In Chapter 10, we discuss the work of the **Standing Committee on Public Accounts**. This is an important Committee of the Legislative Assembly that is responsible for inquiring into the management and accountability practices of the Government and for recommending improvements. We work closely with the Committee to improve

management and accountability practices in government agencies. The support of legislators is crucial for effecting change.

The Committee reviews all of our reports and considers our recommendations for improvement. The Committee calls officials from government agencies as witnesses and hears their views on our recommendations. After hearing the views of officials and discussing the issues, the Committee reports its discussions, conclusions, and recommendations to the Legislative Assembly. The Committee has accepted over 90% of our recommendations over the last five years. We also monitor the Government's action on our recommendations. The Government has acted on over 80% of our recommendations over the last five years.

In Exhibit 1 of the Chapter, Outstanding Recommendations of the Standing Committee on Public Accounts, we provide a list of the Committee's recommendations that still require action by the Government.

We have begun our audit of the Saskatchewan Indian Gaming Authority for the year ended March 31, 2001. We are receiving good co-operation. We will report the results of our audit in our 2001 Fall Report. Also, we have now completed our audit of the financial statements of Saskatchewan Indian Gaming Authority and Saskatchewan Liquor and Gaming Authority for the year ended March 31, 2000. These financial statements are reliable.

Changes to *The Provincial Auditor Act*

The Government introduced Bill 14 *An Act to amend the Provincial Auditor Act* on April 9, 2001. We support the changes, set out in this Bill, because they enhance the Provincial Auditor's independence and maintain the Government's accountability to the Assembly. Also, the Bill results from a reasonable process that provided for adequate consultation among key legislators, the Minister of Finance, and our Office.

On April 11, 2001, we made a special report to the Legislative Assembly giving our views on Bill 14. Our special report can be viewed on-line at http://www.auditor.sk.ca/. The Standing Committee on Public Accounts met on April 25, 2001. The Committee considered our special report on

Bill 14, as well as a report from the Legislative Counsel and Law Clerk on the Bill. The Committee expressed the view that the Bill adequately reflected the Committee's recommendations for changes to the Act. The Committee's discussions can be viewed on-line at http://www.legassembly.sk.ca/committees/verblist.htm.

Our 2001 Reports

In 2001, our Office has issued the following reports to the Assembly:

- *Report to the Legislative Assembly of Saskatchewan on the 2000 Financial Statements of CIC Crown Corporations : April 2001*;
- *Report to the Legislative Assembly of Saskatchewan on the Financial Statements of Crown Agencies for Years Ending in the 2000 Calendar Year : April 2001*; and
- *Special Report to the Legislative Assembly of Saskatchewan Regarding Changes to The Provincial Auditor Act, Bill 14 : April 2001*.

If you wish to obtain copies of these reports, or wish to discuss, or receive presentations on the contents of any of these reports, please:

- visit our website at:
http://www.auditor.sk.ca/

- contact our Office by Internet e-mail at:
info@auditor.sk.ca

- or, write, phone or fax us at:
Provincial Auditor Saskatchewan
1500 Chateau Tower
1920 Broad Street
Regina, Saskatchewan
S4P 3V7
Phone: (306) 787-6398
Fax: (306) 787-6383

My colleagues at the Office of the Provincial Auditor of Saskatchewan are:

Ahmad, Mobashar
Anderson, Mark
Atkinson, Brian
Bachelu, Gaylene
Baronowsky, Tricia
Beblow, Jolene
Borys, Angèle
Brezinski, Curtis
Brooks, Nicole
Burrows, Jamie
Clemett, Tara
Creaser, Phil
Daviduik, Krista
DeCorby, Michelle
Deis, Kelly
Dickin, Deann
Dukart, Amanda
Duran, Jason
Duran, Joel
Federspiel, Angela
Ferguson, Judy
Fysh, Cindy
Grabarczyk, Rod
Harasymchuk, Bill
Heffernan, Mike
Huard, Brenda
Hungle, Angie
Jersak, Rodd
Kenny, Wade
Kirchner, Carolyn
Knox, Jane
Kodas, John
Kress, Jeff
Kuntz, Linda
Lahti, Jay
Lahti, Kami
Lees, Trina
Lowe, Kim
Markewich, Dale
Martens, Andrew
Montgomery, Ed
Nyhus, Glen
Oldershaw, Mark
Orrange, Loyd
Ottenbreit, Stacey
Paul, Charlene
Paul, Kent
Rybchuk, Corrine
Schiller, Rita
Schwab, Amy
Schwab, Victor
Shorten, Karen
Sommerfeld, Regan
Strecker, Rena
Szaroz, Jennifer
Tomlin, Heather
Volk, Rosemarie
Walker, Sandra
Watkins, Dawn
Wendel, Fred
Wendel, Leslie

This page left blank intentionally.

Improving public sector planning and reporting

1

Executive summary 3

Glossary 4

Part A – Key processes to plan 5

Part B – Capital asset plans 19

Part C – Principles for performance reporting 31

This page left blank intentionally.

Executive summary

In 1999, the Government initiated a "comprehensive government accountability project." The Government announced that it wanted to establish a public accountability system that would change the focus of public agencies from the resources used and the activities completed to a focus on the outcomes achieved.

Achieving improved accountability for outcomes in the public sector takes time—often many years. It requires effective long-term planning and good performance reporting. This chapter contains three parts that discuss important aspects of public sector planning and reporting.

Part A of this chapter identifies the key processes that should help public agencies to prepare effective plans. Agencies in the public sector face unique challenges when they plan for the long term. For example, public agencies do not always receive the clear direction, the required authority, or the incentives they need to plan effectively.

Part B discusses the key elements that capital asset plans should contain. A capital asset plan is an integral part of an agency's strategic plan. A capital asset plan should promote action so that an agency has the required capital assets available to provide programs as planned. Adequate capital asset plans document the actions needed to reduce the risks associated with managing capital assets.

Part C sets out the principles for useful performance reports. When public agencies publish reports following sound reporting principles, legislators and the public are better able to assess the agencies' performance. As well, such public reporting can guide boards of directors and managers and motivate them to improve their performance.

This chapter supports the Government in its pursuit of improved performance and accountability. We hope it will stimulate discussion among legislators and managers on how to improve public sector planning and reporting.

Glossary

Accountability – the ability to demonstrate responsible action and report performance in light of agreed-upon expectations.

Control – those elements of an agency (including its resources, systems, processes, culture, structure, and activities) that, taken together, support people in the achievement of the agency's objectives.

Goal – a general statement of desired results to be achieved over an unspecified period of time.

Inputs – human, financial, or physical resources consumed in carrying out activities, producing outputs and accomplishing results.

Objective – a measurable, time-defined result to be achieved that leads to the achievement of each goal.

Outputs – goods or services actually delivered to achieve the desired result or outcome.

Outcome – consequence or result of activities.

Performance measure – measurable factors used to assess progress toward an identified objective or desired outcome.

Risk – the possibility that an agency will experience adverse consequences from events or circumstances.

Sectors of government – groups of government agencies working together to deliver common programs or to achieve common goals.

Stakeholders – individuals or groups with an interest in, or who are affected by, the agency's decisions.

Key processes to plan

1A

Introduction 7

Key processes to plan 8

Revisit the agency's purpose and general direction 9

Update goals, objectives, targets, and measures 10

Assess key risks to achieving objectives 12

Update strategies and action plans 13

Communicate the Plan 14

Evaluate the planning process 15

Our recommendation 15

Our future plans 15

Exhibit - Detailed criteria for processes to plan 16

Selected references 17

This page left blank intentionally.

Introduction

Sound public plans help legislators and citizens to understand and debate what the Government and its agencies intend to achieve and at what cost. Given the importance of such plans, it is essential that the Government and its agencies have good planning processes and practices to enable them to prepare effective long-term plans.

Long-term or strategic planning is well established in literature and in practice, particularly in the private sector. So the reader may question why our Office is reporting on such a well-established subject.

We have several reasons for describing key planning processes. First, public sector agencies face unique challenges when they try to plan for the long term. Private sector planning experience does not provide all the answers for public sector planning. Second, most government agencies have limited experience in long-term planning. Third, the Government, through its Accountability Project, is providing guidance to agencies on how to develop effective long-term plans. We want to show government agencies the key processes we will look for when we assess their planning processes in future years. Fourth, and perhaps most important, we want to help legislators to appreciate the importance of effective public planning and to engage them in a discussion and debate on this important issue.

The first reason for this chapter requires further explanation. Government environments can make long-term planning challenging. We have described these challenges in previous reports.[1] To prepare long-term plans, government agencies need:

- Clear direction from Cabinet and ministers, including government-wide priorities and goals. In the public sector, these priorities and goals have often been unclear or not communicated. They also tend to change frequently.

- Authority to make planning decisions. In the public sector, ministers and supervising agencies often limit individual agencies'

[1] See, for example, Chapter 1 in our 2000 Spring Report and Chapter 1 in o ur 2000 Fall Report – Volume 3.

authority to make planning decisions. As well, the authority conveyed to agencies is not always clear or applied consistently.

- Incentives for effective plans and results. In the public sector there has often been limited correlation between results achieved and rewards received.

Elected and appointed officials increasingly recognize these challenges to effective planning in the public sector. We encourage the Government to continue its efforts to remove barriers that agencies face in preparing and carrying out their plans.

Key processes to plan

We developed six broad processes to plan from a review of international literature, reports of other auditors, and previous work of our Office. We also consulted with senior officials from the Department of Finance and Crown Investments Corporation.

To plan effectively, government agencies should have processes to:

- revisit their purpose and general direction;
- update goals, objectives, targets, and measures;
- assess key risks to achieving objectives;
- update strategies and action plans;
- communicate their Plans; and
- evaluate their planning processes.

This listing of broad planning processes does not convey all key aspects of planning, nor does it express the complexity of actual planning processes. For example, one key aspect of planning that does not appear on our list of broad processes is input from staff and stakeholders. In our detailed discussion of each of the broad processes, we note the importance of staff and stakeholder input at each stage of a planning

process. No organization can successfully plan or implement its plan without the input and support of staff and stakeholders.

Stakeholders are individuals or groups with an interest in, or who are affected by, a government agency's decisions. Stakeholders of government agencies consist of legislators, citizens, clients, interest groups, government officials, and other agencies. Depending on the agency, stakeholders may also include the agency's supervising agency[2] and experts in the agency's services.

Also, planning processes are complex. In practice, processes do not always follow the linear order shown above. Results of some processes may require planners to reconsider decisions made during earlier planning phases. For example, planners may need to reconsider planned objectives or strategies if they discover later that resources are insufficient. Risk assessment is applicable to most key processes even though we identify it as a separate process. Similarly, evaluating the planning process is not only done at the end of the planning cycle, but should be continuous.

The following describes each broad planning process in more depth. For a summary of the detailed processes, see the Exhibit on page 16.

Revisit the agency's purpose and general direction

The success of the entire planning process depends on an agency having a clear understanding of its purpose. An agency's purpose describes what the agency is all about and gives a sense of its general direction. In the public sector, setting and sustaining a clear purpose can be difficult. Ultimately, elected officials direct a public sector agency's purpose. This direction has not always been clear or consistent over time.

At the beginning of the planning cycle, the agency should review its legal mandate, including its authority and responsibility. The agency should agree on its understanding of its authority and responsibility with key

[2] For example, the Department of Health is the supervising agency of district health boards; the Department of Post-Secondary Education and Skills Training is the supervising agency of regional colleges; and the Crown Investments Corporation is the supervising agency of many Crown corporations such as SaskPower and SaskTel.

stakeholders. Without this agreement, there is little hope for effective performance and accountability. In this context, key stakeholders are supervising agencies, Cabinet and its committees, and the Legislative Assembly.

Establishing or revising the agency's vision clarifies its general direction. A vision is a brief description of an ideal state or preferred future. It inspires and challenges. It is what the agency works toward. The vision must be consistent with the agency's authority, responsibility and governing legislation.

Effective planning processes help an agency to assess the impact of the internal and external environment on how the agency functions and on what it is capable of achieving. This step is commonly referred to as an "environmental scan." An environmental scan assesses what aspects of the agency's internal environment support its pursuit of its strategic direction and what elements are likely to inhibit it from reaching its goals. The scan also considers external forces and trends. Political, economic, social, and technological forces and trends influence how, or whether, an agency achieves it goals. The environmental scan should include consultation with key stakeholders to obtain their perspectives and to consider their needs.

Shared ethical values (or guiding principles) guide the behaviour of staff in carrying out their responsibilities. Shared values support an agency's vision and influence all of its goals and actions. Because an agency's values impact stakeholders (especially clients), they should be consulted on the values an agency adopts. In addition, the agency needs to align its shared ethical values with those of its supervising agency and with government-wide values.

Update goals, objectives, targets, and measures

Once the agency has a clear understanding of its purpose, it needs to decide what it wants to achieve over the medium and long term (goals) and how it will measure its progress.

An agency using effective planning processes will select goals that are consistent with its governing legislation, mandate, authority and responsibility.

The agency should ensure its goals are reasonably consistent with the goals of its supervising agency, with overall government direction, and with the results of the agency's environmental scan. Otherwise, the agency may be working at odds with more senior government goals and its environment. Agencies can have difficulty achieving and maintaining this alignment with higher-level goals. Governments may not clearly communicate their high-level goals. Also, central government direction can shift due to changing political or economic priorities.

Prior to finalizing its goals, the agency should confirm them with its supervising agency, Cabinet, and the Assembly.

For each goal, an agency needs to select one or more objectives. Objectives are measurable results to be achieved that lead to the achievement of a goal. Most agencies cannot work toward the achievement of all of their objectives at the same time or with the same degree of effort. So, it is important to set priorities.

Consulting with stakeholders and experts helps an agency to select and prioritize challenging but realistic objectives. This consultation also aids in ensuring that the agency has stakeholders' support for its objectives. Stakeholder support can significantly influence an agency's success in achieving its objectives.

Priority objectives should be consistent with the results of the environmental scan to maximize the agency's strengths and opportunities. Priority objectives should be consistent with the supervising agency's goals and overall government direction. For reasons described earlier, agencies may have difficulty in aligning their objectives with higher-level direction.

For each priority objective, an agency has to decide on the level of desired performance. The level of desired performance refers to the quantity, quality, and timing of performance. This chosen level of planned performance is called a performance target. Targets are precise, usually quantified, statements of what an agency plans to achieve in a future period. Selecting targets is important because the agency uses them to monitor progress in achieving its objectives and to take corrective action when progress does not meet expectations.

Targets should be challenging but achievable. Stakeholders and experts can provide valuable assistance in setting targets.

Once the agency has decided on its targets, it needs to select performance measures to help it know if it is meeting targets and achieving objectives. Measures are factors used to assess progress toward an identified objective. The agency should choose a few key measures that are useful. Useful measures are relevant, reliable and understandable. Measures should be aligned with the supervising entity's measures.

When selecting measures, the agency needs to consider any limitations on the availability of relevant, reliable information. When will the data be collected? Can it be collected and analyzed at a reasonable cost? In some cases, it may take a few years to develop adequate systems to collect the required data. In other cases, the agency may be able to use information that it already has or that another organization is already collecting.

Assess key risks to achieving objectives

Effective planning processes involve identifying internal and external risks to achieving an agency's objectives and targets. Risk is the possibility that an agency will experience adverse consequences from events or circumstances that will limit its ability to achieve its objectives.

An agency should consider its entire context when identifying risk. Risk may exist in any part of an agency. Risk can arise from client and public relations, service levels and access, and from issues related to compliance with laws, security, technology, and confidentiality.

Various models and frameworks exist that can assist agencies to identify and assess their risks. A sound, comprehensive risk model helps to ensure a complete and consistent risk assessment.

Stakeholders and experts can confirm key risks and help to assess their potential impact.

Update strategies and action plans

Effective planning entails designing and updating strategies and action plans to achieve the agency's objectives and to reduce identified risks. Action plans consist of the specific activities, timelines, and resources to implement the strategies.

There can be many ways to achieve a particular objective. Therefore, the agency should consider alternatives and select the most efficient and effective alternatives within available resources.

The agency should assign responsibilities to individuals and groups together with timelines for each action plan. The agency should ensure that the persons or groups assigned responsibility have the necessary authority to carry out the strategies and actions. Assigning responsibility encourages staff to take ownership of the plan. It also makes them accountable for results achieved. An agency that carries out a planning process without integrating the plan into employees' daily activities greatly reduces the value of planning.

The agency should consider whether its strategies are consistent with those of its supervising agency, overall government direction and the agency's environmental scan. At this point, it is important to confirm the practicality of strategies with key stakeholders.

Government agencies often need to align their strategies with other agencies and with other levels of government (i.e., municipal, federal). This alignment is vital because achieving public policy objectives often requires co-operation. Establishing this co-operation can be challenging for governments.

Sound planning processes involve estimating the resource requirements for each strategy or action plan. Estimates of resource requirements should cover the expected annual and long-term cost (e.g., human resources, capital and technology). Estimates of required resources also comprise the expected cost of strategies carried out by other entities or individuals on behalf of the agency. Estimating costs is important as it helps the agency to make effective tradeoffs.

Governments have limited experience in assigning costs to strategies or action plans. In the past, governments have based their future resource requirements primarily on prior years' inputs (e.g., salaries and supplies). As a result, governments have few reliable cost-accounting systems to tell them the expected cost of their strategies or actions. Cost-accounting systems can be expensive to implement. For this reason, the Government and its agencies will want to be sure they know what long-term results they want to achieve before they start to develop new information systems.

After determining resource requirements, the agency should assess its overall capacity to achieve its objectives and to carry out its strategies and action plans. The agency should consider questions such as: 1) Are available resources adequate to carry out the plan? 2) Is there adequate involvement of senior management, staff, third parties, and stakeholders? 3) Are roles and responsibilities clear? 4) Is there a supportive environment? 5) Are communication processes effective? 6) Are information systems adequate to produce accurate and complete data, including the cost of action plans?

Weak capacity in any of the above areas may decrease the agency's ability to achieve its objectives and to mitigate identified risks. If the agency finds weaknesses in its capacity that it cannot remedy, it may have to adjust its priority objectives.

Communicate the Plan

Good planning processes require an effective communication strategy for the final plan (Plan), both internally and publicly. The Internet enables an agency to publish its Plan widely and inexpensively.

Even though the agency should have received input from staff and stakeholders throughout the planning process, the Plan may be different from what they expected. The agency should ask staff and stakeholders to comment on the Plan to assist it in improving future Plans and processes.

The agency should make final assignments of responsibility to staff for action plans. As well, the agency should engage key stakeholders in co-operating in shared strategies and in monitoring the achievement of

objectives. Engaging key stakeholders involves seeking feedback from them at future dates, e.g., when the agency reports on its results compared to its Plan.

Evaluate the planning process

Timely evaluation of the planning process helps to improve future planning processes. Agencies can aid the evaluation by documenting the planning processes they follow.

Planning team members can provide valuable insight into the strengths and weaknesses of the planning process. The agency should seek this insight soon after completion of the Plan, as memories tend to fade quickly and people move on.

The evaluation should consider the structure of the planning team to ensure it had adequate senior management and staff involvement, and clear authority and responsibility.

The evaluation should also assess the planning process's effectiveness. Process effectiveness includes assessing the adequacy of planning timelines, the input from staff, stakeholders and experts, the coverage of all key aspects of planning, and communications.

Documenting the evaluation results helps to improve the next planning process.

Our recommendation

1. **We recommend that the Government and its agencies consider the processes to plan outlined in this chapter when they develop or revise their long-term plans.**

Our future plans

In future reports, we plan to use the processes we described here to assess the adequacy of the planning processes used by the Government and its key sectors and agencies.

Exhibit - Detailed criteria for processes to plan

To adequately plan, the Government and its agencies should have processes to:

1. **Revisit their purpose**
   - interpret authority and responsibility
   - establish vision and interpret mandate
   - conduct an environmental scan
   - decide on shared ethical values (or guiding principles)
   - confirm purpose with key stakeholders
2. **Update goals, objectives, targets, and measures**
   - choose goals
   - select objectives to achieve each goal
   - prioritize objectives
   - set targets for each priority objective
   - decide on performance measures for each target
   - confirm goals and objectives with key stakeholders
3. **Assess key risks to achieving objectives**
   - identify significant internal and external risks to achieving objectives and targets
   - assess risks using a common model or framework
4. **Update strategies and action plans**
   - consider alternative strategies and action plans to achieve objectives and mitigate identified risks
   - assign responsibility and set timelines for each strategy and action plan
   - align action plans with other government agencies that have similar objectives and with environmental scan
   - confirm practicality of strategies and action plans with key stakeholders
   - determine resource requirements for each strategy and action plan
   - assess capability to carry out strategies and action plans
5. **Communicate their Plans**
   - establish communication strategies based on needs of staff and stakeholders
   - publish their Plans
   - request staff and stakeholder input on the Plans' adequacy
   - assign responsibility and accountability to staff to implement the Plans
   - engage staff in implementing action plans
   - engage key stakeholders in monitoring the achievement of objectives
6. **Evaluate the planning processes**
   - document the planning process
   - seek input from planning team on the process
   - reassess structure of planning team
   - assess process effectiveness
   - document the evaluation results

Selected references

Agriculture and Agri-Food Canada. (2000, September). *From the field to the boardroom*. Ottawa: Author.

Auditor General of Canada. (1992). The Learning organization. *1992 Report of the Auditor General*. Ottawa: Author.

Government of Ontario and CCAF-FCIV. (1999, February). *Making accountability work: Summary of proceedings of leader's symposium*. Toronto: Author.

Government of Virginia. (1999). *Guide to Virginia's performance budgeting process*. Virginia: Author. http://www.dpb.state.va.us/pm/handbook/parta.pdf

National Partnership for Reinventing Government. (1999). *Balancing measures: Best practices in performance management*. http://govinfo.library.unt.edu/npr/library/papers/bkgrd/balmeasure.html (May 17, 2000).

Office of the Auditor General of British Columbia. (1998-99). *Report 4: A review of the estimates process in British Columbia*. Victoria: Author. http://bcauditor.com/PUBS/1998-99/report-4/sec-1.htm (March 23, 2000).

Office of the Provincial Auditor [Manitoba]. (2000). *Business planning and performance measurement*. Winnipeg: Author.

Treasury Board of Canada. (1999). *Managing for results: Annual report to parliament. (Volume 1)*. Ottawa: Author.

United States General Accounting Office. (1999). *Agency performance plans: Examples of practices that can improve usefulness to decision-makers*. Washington, D.C.: Author.

This page left blank intentionally.

Capital asset plans

1B

Introduction **21**

Our objective and approach **22**

Content of capital asset plans **22**

Capital assets required to support strategic objectives and programs 23

Gap between required and existing capital assets 25

Strategies to manage capital assets 25

Justification of capital asset strategies 26

Financial implications of capital asset strategies 27

Next steps **28**

Selected references **29**

This page left blank intentionally.

Introduction

Our Office examines areas where the Government faces risks. In Chapter 4 of our 2000 Fall Report to the Legislative Assembly (Volume 3 p.191), we set out the risks related to infrastructure.[1] That Chapter described the infrastructure risks that the Government must manage well. To reduce its infrastructure risks successfully, the Government must manage well in these broad areas:

- identify needs (long-term planning),
- set clear responsibility,
- maintain capacity,
- maintain good information, and
- keep the public informed.

In this chapter, we focus on the first three of these areas. In particular, we discuss the use of capital asset plans to guide management's decisions about significant capital assets in the public sector. We define capital assets as the buildings and equipment that government organizations use to deliver public programs. We include capital assets that the Government owns, leases, or supports with public money.

Adequate capital asset plans help to reduce risks. Capital asset plans help to ensure that organizations have the capacity to deliver their programs as planned. Capital asset plans encourage action so that capital assets are in good working order when organizations require them. For example, capital asset plans encourage action to reduce the risk of deteriorating buildings or equipment that is unsafe or obsolete. When organizations use capital asset plans to reduce risks, they increase their ability to carry out their programs efficiently, economically, and effectively.

The Government's Accountability Project considers capital asset plans to be part of long-term strategic plans. We agree. When managers align their capital asset plans with their strategic plan, it helps their organization to achieve its goals and objectives. In short, action on long-term capital asset plans would help the Government achieve its strategic objectives.

[1] We defined public infrastructure as physical assets used to provide public services including roads, dams, and power plants as well as buildings and equipment.

Our objective and approach

The objective of this study is to set out the key content elements of capital asset plans in the public sector. Our purpose is to stimulate discussion among legislators and managers about capital asset plans. Capital asset plans can help to reduce the risks associated with owning and managing capital assets. They can also reduce risks associated with using public money to support capital assets that are owned by other organizations.

We based our study on international literature and reports of other auditors concerning capital asset plans. We considered government guidelines and requirements related to the content of capital asset plans.

We consulted with key government organizations at various points in our work. In particular, we consulted with key individuals in the departments of Health, Highways and Transportation, Education, and Finance; in the Saskatchewan Property Management Corporation; and in SaskEnergy Incorporated. Their comments helped us to describe key elements that are clear and relevant for capital asset plans in the public sector in Saskatchewan.

Content of capital asset plans

Capital asset plans document decisions intended to ensure that organizations have the capital assets required to provide their programs effectively, efficiently, and economically. Capital asset plans help organizations select the capital assets that have the best value and keep them in good working order.

As set out in Exhibit 1, capital asset plans should contain key content elements showing:

- significant capital assets required to support strategic objectives and programs;
- the gap between required and existing capital assets;
- strategies to manage capital assets;
- justification of capital asset strategies; and
- financial implications of capital asset strategies.

This chapter describes each of these elements. The chapter also explains why each element is important. Examples show the implications for capital asset plans in the public sector.

Exhibit 1

In the public sector, capital asset plans should contain the following key content elements.

1. **Capital assets required to support strategic objectives and programs**
   - overview of strategic objectives that will impact capital assets
   - summary of required capital assets for next ten years in line with strategic direction
   - responsibility for capital assets
2. **Gap between required and existing capital assets**
   - summary of existing capital asset capacity
   - risks related to existing capital assets
   - gap between existing asset capacity and needs for ten years
3. **Strategies to manage capital assets**
   - strategies to obtain capital assets to meet program needs
   - strategies to operate capital assets
   - strategies to maintain capital assets
   - strategies to dispose of capital assets no longer usable or required
4. **Justification of capital asset strategies**
   - criteria used to select capital asset strategies
   - outline of capital and non-capital alternatives to achieve strategic objectives
   - explanation of how capital asset strategies minimize key risks
5. **Financial implications of capital asset strategies**
   - estimated life-cycle costs for planned capital assets over the next ten years
   - sources of money to carry out capital asset strategies

Capital assets required to support strategic objectives and programs

Organizations acquire capital assets to help them deliver programs that contribute to the achievement of their objectives. Thus, capital asset plans should begin with an overview of the organization's strategic objectives as set out in its strategic plan. This overview should highlight the type of programs that the organization will provide.

Based on these highlights from the strategic plan, the capital asset plan should project the capital assets required for future program delivery. Capital asset plans should state the assumptions that underlie these projections. The assumptions may include population changes, public policies (e.g., equitable access to services), or the continuation of

program trends. Stating assumptions helps managers monitor the environment and plan timely change.

The capital asset plan should summarize the assets that the organization requires to fulfill its mandate during the next five to ten years. The time period will vary with the type of asset but it should be as long as possible to contribute to good stewardship of public assets.

The time period covered by a capital asset plan may extend beyond the period covered by the strategic plan. There is an important interaction between strategic plans and capital asset plans. The strategic plan sets the direction; the capital asset plan may highlight risks that must be addressed in future strategic plans.

Long-term capital asset plans also allow government managers time to address risk areas before they become a public concern. Managers may need time to arrange for construction or partnerships. The long-term nature of capital asset plans helps to ensure that capital assets are available and in good working order when they are required.

Responsibility for capital assets is often complex in the public sector. Capital asset plans should describe who is responsible, either through ownership or through agreement, to obtain, operate, and maintain significant capital assets. They should also state who is responsible to monitor the assets' performance.

In the public sector, the organization that obtains a capital asset may not be the organization that maintains it. Similarly, the organization that depends on an asset to deliver its services may not own the asset. For example, the Saskatchewan Property Management Corporation owns or leases the office buildings used by most government departments. Third-party organizations called 'affiliates' sometimes own the hospitals and nursing homes that health districts depend on to deliver services. When ownership and responsibility is complex, the capital asset plan can help to manage the risk of conflicting priorities by noting key obligations to others.

Gap between required and existing capital assets

After setting out future capital asset requirements, capital asset plans should show the result of an evaluation of the existing assets and their capacity to meet the defined requirements.

Capital asset plans should summarize existing capital assets by category and condition because different assets need to be managed differently. For example, managers may categorize assets by type of building or by the purpose of equipment. Capital asset plans also should show the current condition of the assets by category (e.g., 20% of special equipment is obsolete; 5% of the office buildings in a region have less than ten years estimated remaining lifespan). This summary helps managers to assess risks and to plan to reduce them over the long term.

Capital asset plans should identify risks related to existing assets, such as a history of excessive repairs or under-performance in meeting program objectives. Other risks might include service interruptions or non-compliance with health, safety, or building codes.

Once the above information is collected, capital asset plans should show whether existing assets have the capacity to carry out the projected programs over the next ten years. Any gaps between existing asset capacity and required asset capacity should be identified to help managers consider alternatives. Capital asset plans should specify the nature of the assets required (e.g., type, size, location) and when the assets must be available for use. They should also identify assets that are no longer required or that have surplus capacity.

Strategies to manage capital assets

To be complete, capital asset plans should include strategies to obtain, operate, maintain, and dispose of capital assets. These essential strategies go beyond what management will do to fill the gap between existing and required assets.

In the capital asset plan, management sets out the types of capital assets it will use to support its programs. It also shows how the organization will obtain the required buildings and equipment (e.g., buy, build, lease).

Capital asset plans should show how management intends to operate the capital assets to support the organization's strategic objectives and program projections. Capital asset plans should explain whether the capital assets must operate at maximum capacity. Capital asset plans should ensure that organizations have the physical requirements to operate capital equipment at the required capacity (e.g., sufficient space, power). They should also highlight the human resources or information technology required. For example, capital asset plans should be aligned to human resource plans for the organization that describe recruitment or training of qualified staff to operate key assets.

Effective capital asset plans contain a maintenance strategy to ensure major assets can operate at a reasonable cost and without disruption. The maintenance strategy outlines the frequency of essential maintenance for major assets. It enables capital assets to operate at the expected capacity and to meet performance standards.

Capital asset plans should set out a disposal strategy for surplus or obsolete assets. Even when regularly maintained, some capital assets no longer perform at an acceptable standard or simply become redundant. A disposal strategy should state whether there are other ways to use the asset. Ultimately, this strategy will determine whether the asset should be transferred, sold by tender or auction, leased, traded-in, or scrapped.

Justification of capital asset strategies

Capital asset plans should document the criteria used to select the priority capital asset strategies. The criteria state what the organization expects of the capital assets. The criteria provide a direct link between the program objectives and the capital asset strategies. If the program objective is to handle a high volume of clients effectively, the capital assets must be selected, operated, and maintained to allow that objective to be achieved.

For each major asset group, the capital asset plan should outline the capital and non-capital alternatives that management considered. Setting out alternative capital asset approaches enables a rapid and flexible response to changing circumstances. It also helps to show the benefits of the strategies chosen over the possible alternatives (e.g., portable or permanent structures, lease or buy, renovate or build new, stand-alone or

shared facilities). Non-capital alternatives might include redesigning programs to reduce the need for capital assets or contracting with other organizations to provide programs. Alternatives should consider not only initial costs to obtain the assets, but also operating, maintenance, and disposal costs over the expected lifespan of the assets (i.e., life-cycle costs).

Capital asset plans should briefly explain why management chose specific strategies. For example, organizations often choose specific strategies because they reduce risks (e.g., repair the roof to reduce the risk of water damage). Organizations may select strategies to meet key public policy objectives such as environmental stewardship or equitable access to programs. Sometimes organizations select strategies to reduce operational costs.

Financial implications of capital asset strategies

Capital asset plans should outline life-cycle costs related to existing and proposed significant capital assets. This includes annual costs to operate and maintain assets as well as costs to obtain assets. Where possible, managers should project costs to operate and maintain assets for ten years. This is important because some capital assets cost as much to operate and maintain as they do to purchase (e.g., some medical equipment).

Capital asset plans should state the anticipated source of money to carry out the capital asset strategies and when it will be required. Capital asset plans should show the proportion of spending for capital strategies that will come from operations, appropriations, or borrowing.

If the organization anticipates that it will require money from external sources for buildings or equipment, the capital asset plan should make this clear. For example, the capital asset plan should document how partners will share the cost of the capital asset strategies. Partners may include other provincial government agencies, federal or municipal governments, or organizations in the private sector.

Next steps

Various government organizations have different methods of planning for capital assets. The methods used influence the adequacy of the capital asset plans of these organizations. We think the use of long-term capital asset plans will help the Government to reduce the risks associated with significant capital assets.

We plan to audit government organizations to assess whether they are appropriately reducing their capital asset risks through their planning processes and the resulting capital asset plans. We will continue to report our findings to the Legislative Assembly.

In addition, we look forward to ongoing discussions with government organizations about capital asset plans.

Selected references

Auditor General of Alberta. (1998-99). *Annual report of the Auditor General of Alberta*. Edmonton: Author.

Australia. Department of Treasury and Finance. Financial Management Division. (1995). In *Asset management series: Principles policies and practices catalogue of reference*. East Melbourne, Australia: Government of Victoria. http://home.vicnet.net.au/~assetman/welcome.htm

Australian National Audit Office. (1996, June). *Asset management Guide: Better practice guide*. Canberra: Author. http://www.anao.gov.au/

Australian National Audit Office. (1996, June). *Asset management handbook: Better practice guide*. Canberra: Author. http://www.anao.gov.au/

Deloitte Consulting. (2000, April). *Capital management process review for the Government of British Columbia: Final report*. Vancouver: Author.

United States. General Accounting Office (GAO). (1998, December). *Executive guide: Leading practices in capital decision-making*. Washington, D.C.: Author.

United States. Executive Office of the President of the United States. (1997). *Capital programming guide: Version 1.0: Supplement to Office of Management and Budget circular A-11, part 3: Planning, budgeting and acquisition of capital assets*. Washington, D.C.: Office of Management and Budget. http://www.whitehouse.gov/OMB/circulars/a11/cpgtoc.html

This page left blank intentionally.

Principles for performance reporting

1C

Introduction **33**

Research on principles for performance reporting 34

Principles for performance information **34**

Performance information should be relevant 35

Focusing on plans and results 36

Showing how results were achieved 37

Setting out the cost of results 37

Measuring something of significance to readers 38

Reporting in sufficient time to influence decisions 38

Performance information should be reliable 38

Accurate and complete 38

Capable of being replicated or verified 39

Neutral and fair 39

Performance information should be understandable 40

Balancing conciseness with completeness 40

Showing comparative information consistently 40

Aggregating at an appropriate and meaningful level 41

Describing performance in the context of control and risk 41

Independent assurance **42**

Our recommendation **42**

Summary **43**

Selected references **44**

This page left blank intentionally.

Introduction

Many governments are working to improve the results they achieve with their policies and programs. Traditionally, governments have been inclined to manage their policies and programs by focusing primarily on resources, activities, and outputs. They have tended to pay less attention to the *effects* of their programs and services on citizens.

Governments are beginning to focus on the effects or results of their programs. That is, they are starting to "manage for results." For example, when governments manage the results of social services programs, they focus more on the impact of those programs on people's well being and independence. This management approach differs from the past emphasis on activities such as the number of welfare cheques issued or amount of employment counselling delivered.

In addition to managing for results, governments must be accountable for their performance to legislators and the public. For governments to be accountable for their results, they need to change how they report on their performance. Shifting from reporting primarily on spending and activities to reporting more information on costs and results is a big change for governments.

Good public reporting is more than just an exercise in accountability for governments. It has real benefits for governments. Experience shows that goals and objectives set out in public reports guide boards of directors, managers and staff and focus them on getting results. As well, performance commitments, made publicly, give directors, managers and staff powerful incentives to achieve those results. Thus, public reporting of plans and results helps to improve governments' performance.

In late 1999, the Government of Saskatchewan announced that it intended to report publicly on its results. We encourage the Government to act on this important announcement.

To be useful to the Legislative Assembly and the public, the Government must prepare its performance reports using sound reporting principles.

We think it is important to describe principles for performance reporting. First, we want to help legislators to appreciate the importance of good

performance reporting by the Government and its agencies. We hope this chapter will encourage discussion and debate on this vital issue.

Second, we want the Government to consider our views when it prepares reporting guidelines for its agencies,. Third, we wish to show agencies the reporting principles we will look for when we assess their performance reports in future years.

Research on principles for performance reporting

For the purposes of this chapter, "performance information" refers to information that explains an organization's financial and non-financial (i.e., operational) performance. Financial information describes an agency's assets, liabilities, revenues, expenses, and key financial targets and measures. Operational information describes an agency's progress in achieving its non-financial goals and objectives compared to previous years and to similar agencies.

Generally accepted principles are well established for preparing financial information, but less so for preparing operational information. Because of the increasing demand for better public accountability information, many organizations are studying and experimenting with performance reporting principles. These organizations are starting to work together to develop a consensus on such principles among governing bodies, report preparers, and professional bodies. Such organizations include governments, legislative auditors, and professional bodies such as the CCAF-FCVI and The Canadian Institute of Chartered Accountants.

In our discussion of reporting principles, we draw on the experience of these organizations.

Principles for performance information

There is general agreement on the broad principles for effective information. Effective information is relevant, reliable, and understandable. In other words, information that reflects these principles is useful, accurate, complete, timely, and in a form that readers can readily understand.

The following sets out matters to consider when applying these principles to reporting on performance. While the broad principles for all effective information are the same, performance information is generally wider ranging, more diverse, and more complex in its application than financial information. Another matter for agencies to consider when they apply these principles is the cost and benefit of collecting and reporting performance information. The cost of developing and collecting such information can be significant and may outweigh the benefits gained. Such cost/benefit judgements ultimately should be discussed publicly because the main beneficiaries of public performance reporting are legislators and the public.

The following is a discussion of these principles for performance information. The Exhibit provides an outline of the principles.

Exhibit: Effective performance reports

Relevant

- focus on plans and results,
- show how results were achieved,
- set out the cost of results,
- measure something of significance to users, and
- reported in sufficient time to influence decisions.

Reliable

- are accurate and complete,
- are capable of being replicated or verified, and
- are neutral and fair.

Understandable

- balance conciseness with completeness,
- show comparative information consistently,
- are aggregated at an appropriate and meaningful level, and
- describe performance in the context of control and risk.

Performance information should be relevant

Information is relevant if it is useful to readers. Useful performance information highlights actual performance compared to planned

performance. It also explains why the information presented is important to legislators and citizens.

Useful performance information:

- focuses on plans and results,
- shows how results were achieved,
- sets out the cost of results,
- measures something of significance to users, and
- is reported in sufficient time to influence decisions.

Focusing on plans and results

In the public sector, useful performance information describes what a government has achieved. It shows the impact of government policies and programs on citizens. Historically, governments have provided the public with information on inputs and activities with limited information about the effect of these activities. Information on inputs and activities does not permit readers to assess the actual results or outcomes of government activities.

In addition, useful performance information compares results to plans (e.g., objectives and targets). It explains why each performance measure is a good indicator of progress for a particular objective or target, what the measure's limitations are, and how the agency's actions influence the measure. When the public knows a government's plans, public accountability increases. This knowledge gives the public a basis for assessing the results subsequently achieved. Useful comparisons of planned and actual results require candid coverage of both successes and shortcomings in meeting expectations. If the agency has not met expectations, the report should explain why.

Governments that report on intended results have noted other benefits in addition to improved accountability for their management of public resources. Such reporting can increase management's incentive to perform well. It also helps to focus public discussion and debate on government objectives as opposed to other objectives, perhaps unreasonable ones that the Government is not trying to achieve.

Showing how results were achieved

Useful information describes the agency's mandate, vision, and values; the goals and objectives of its programs and services; and the major strategies used to achieve objectives. It also covers the factors outside the agency that have a significant influence on the agency's performance.

Useful information includes what the agency is trying to accomplish and how. It explains the agency's operating environment and its relationships to government-wide goals. The agency's operating environment may include the nature of the business concerned and the specific challenges facing that business including labour relations and new technologies.

Useful information outlines the major factors outside the agency that influence decisions or judgements about goals, performance expectations, and implementation strategies. These may include social and economic factors, and the involvement of stakeholders or partners whose actions influence the ability of the agency to achieve its objectives and targets.

Information on an agency's internal and external environment helps readers to interpret the meaning and judge the significance of the performance information that they are receiving.

Setting out the cost of results

Relevant performance information shows the cost of results achieved. Readers need this information to assess whether results achieved are worth the cost and to assess a government's efficiency.

In the past, governments have had limited interest in cost information. As a result, most government agencies have few reliable cost-accounting systems to tell them the expected cost of their strategies and actions and to help them make resource allocation tradeoffs.

In addition to the cost of results, performance information should show the agency's overall financial performance. Financial statements, prepared in accordance with generally accepted accounting principles, show the agency's assets, liabilities, revenues, and expenses.

Performance information should also describe the agency's key financial targets and measures.

Measuring something of significance to readers

Government agencies, often large and complex, have the ability to report countless results at many different levels. Because readers' capacity to handle information is limited, information must focus on the agency's most important results. Agencies can help focus readers on what is most important by dedicating a section of their annual reports to key performance information (e.g., objectives, key performance targets and measures, and actual results).

Because reports need to be brief, they should indicate where the reader can obtain additional information on areas of particular interest.

Reporting in sufficient time to influence decisions

Readers, whether they are legislators, citizens, partners, or the reporting agency's management and board of directors, need timely information. Late information is less relevant and less useful to readers for making decisions.

Agencies should publish their performance information as early as possible. The Government has recently improved timing of annual reports through amendments to *The Tabling of Documents Act, 1991*. By March 31, 2002, the Act will require all government agencies to publish their annual reports within four months after their year-end.

Performance information should be reliable

Reliable information has the following characteristics:

- it is accurate and complete,
- it is capable of being replicated or verified, and
- it is neutral and fair.

Accurate and complete

Performance information should be reasonably accurate and complete. That is, it should be free from material error or omission. Reliability does

not imply absolute precision or certainty, because uncertainties are inherent in what is being measured and in measurement itself. Materiality is determined by whether or not an error in information or an omission of information would affect a user's decisions.

Capable of being replicated or verified

Performance information should be verifiable. That is, an independent party should be able to reproduce the information or agree that the information is consistent with the underlying events.

Readers can better assess the reliability of performance information when it describes whether the data are estimates or actuals, the degree of data accuracy, and the methods of data collection and verification.

Government agencies often rely on performance data from outside sources such as Statistics Canada and the Canadian Institute for Health Information. Reports using outside sources of data should provide enough information about the sources to allow a reader to obtain the data directly to verify its accuracy. As well, reports should also discuss the reliability of the outside information by, for example, describing the reputation of the source or providing high-level assurance from a reliable party independent of the source.

Neutral and fair

Reliable information faithfully represents the events, results, or situations that it is reporting. In such cases, readers' judgements on performance are not influenced by the way the information is provided, because it is presented in a straightforward, unbiased fashion. The information is neutral and fair in terms of how it is measured and the way it is presented.

Reports that consist of only positive stories soon lose credibility with readers. Positive stories are important, but they need to be put in the context of the agency's ongoing challenges to meet its objectives and targets.

Performance information should be understandable

Legislators and citizens need performance information that they can easily understand. Excessive detail and jargon, and vague or overly technical descriptions lead to confusion and misinterpretation.

Understandable information:

- balances conciseness with completeness,
- shows comparative information consistently,
- is aggregated at an appropriate and meaningful level, and
- describes performance in the context of control and risk.

Balancing conciseness with completeness

Understandable information is concise. It focuses the reader on the most critical aspects of the agency's performance by, for example, highlighting a few key performance targets and measures. It is important to balance the need for conciseness with the need for completeness. On the one hand, too little detail may lead to an incomplete picture of the results. On the other hand, excessive detail may blur the main issues.

The saying, "a picture is worth a thousand words," is true for performance information. Effective use of graphs, charts, and other pictures can greatly enhance a reader's ability to understand and assess performance.

Showing comparative information consistently

To enable readers to judge whether performance is improving over time, understandable information provides performance comparisons for several prior periods. This information provides readers with a frame of reference for assessing performance. This frame of reference includes comparative information from similar organizations (where possible) and a discussion of best practices or standards.

To enable readers to compare information over time, reports should convey information consistently from period to period. While consistent reporting is important, consistency must not be allowed to override good performance measurement. Report preparers should review targets and measures regularly and modify or replace them as needed, particularly in the developmental years when agencies are still improving their

measurement capabilities. Of course, there should be valid reasons for changes to targets and measures, and reports should describe any changes. The requirement to report changes also reduces the risk of agencies being selective about what they report from period to period.

Aggregating at an appropriate and meaningful level

Information, to be relevant, must be aggregated at meaningful levels. In addition to reporting performance at the individual agency level, governments need to report on a government-wide basis and on key sectors.

Some public goals and objectives can only be achieved at government-wide or sector levels. Individual agency reports may contribute little to a reader's understanding of Government-wide or sector goals and objectives.

Most governments have little experience in reporting on a government-wide or sector basis. However, many governments are starting to examine how they might report at those levels. One issue is how to aggregate or summarize the performance results of many individual agencies to arrive at the overall performance of a government or a key sector. Unlike financial information, aggregation of operational information can be more complex than simply adding up outcomes of individual government agencies. Another issue is the scope of a government-wide or sector report; i.e., what agencies should be included in those reports? For example, should universities and school boards be included?

These issues and others require much research, discussion, and debate as independent standard setting bodies work to develop a general consensus on principles for performance reporting at government-wide and sector levels.

Describing performance in the context of control and risk

Understandable information portrays the future as well as the past. Readers need to understand not only an agency's past performance, but also its ongoing ability to maintain or improve its performance.

Agencies establish control to enable them to achieve their goals and objectives. Control covers more than just reducing the risk of errors or fraud. Control includes whatever permits an agency to take advantage of opportunities, manage risks, perform effectively, and make better decisions. Control consists of all elements of an agency that, taken together, support people in the achievement of the agency's objectives. These elements include resources, systems, processes, culture, structure, and activities.

Information on the effectiveness of an agency's control helps readers to assess the agency's long-term capacity to achieve its goals and objectives and manage its key risks. As we describe in our previous reports,[1] governments face significant long-term challenges in building the capacity to reliably achieve their objectives and to report on their performance.

Independent assurance

The Assembly and the public need independent assurance that the Government and its agencies have prepared their performance information in accordance with sound reporting principles such as those set out in this chapter.

Independent assurance would add credibility to performance information. It would enable legislators and citizens to place more confidence in our system of government and public institutions. Most auditors providing such assurance limit their opinions to performance measures.

Our Office is working with all legislative auditors in Canada to share ideas and develop approaches for providing assurance on the credibility of performance information.

Our recommendation

1. **We recommend that the Government consider the reporting principles outlined in this chapter as it continues to develop public reporting guidelines for its agencies.**

[1] 2000 Fall Report – Volume 3, Chapter 1, Part A, Challenges to moving to accountability for results and Part C, Building capacity for government performance reports.

Summary

We hope this chapter will assist the Government to improve its public reporting. Relevant, reliable, and understandable reports are a key element of a sound public accountability system.

We intend to continue to encourage good public reporting by the Government. We set out how we will pursue this goal over the next few years in our strategic plan. We invite you to review our plan at http://www.auditor.sk.ca/.

Selected references

CCAF-FCVI. (1999, March). CCAF National Symposium. *Public performance reporting: perspectives, issues, considerations. Highlights of discussion*. Ottawa: Author.

CCAF-FCVI. (1999, July). CCAF Public Performance Reporting Program. *Principles for building a public performance report. A discussion paper from Canada's legislative audit community*. Ottawa: Author.

CCAF-FCVI. (2001). Public performance reporting: *A management perspective*. Ottawa: Author.

Canada. Treasury Board of Canada Secretariat. (1998). *Work book for reporting on results in departmental performance reports*. Ottawa: Author. http://www.tbs-sct.gc.ca/Pubs_pol/opepubs/TB_H/WKBK1-2E.html

The Canadian Institute of Chartered Accountants. *The Canadian performance reporting initiative*. (2000). Toronto: Author. http://cpri.matrixlinks.ca

Mayne, John. (1999). *Discussion paper on addressing attribution through contribution analysis: Using performance measures sensibly.* Ottawa: Office of the Auditor General of Canada. http://www.oag-bvg.gc.ca/domino/other.nsf/html/99dp1_e.html

National Audit Office. (2000). *Good practice in performance reporting in executive agencies and non-departmental public bodies. Report by the Comptroller and Auditor General*. London, England: The Stationary Office.

Wilkin, P. Phd. (1998). Paper to the Practitioner and Academic Symposium IPAA National Conference, Hobart, November 25, 1998. *Reporting performance: lessons on how and why from North America*. Perth. Western Australia: Office of the Auditor General.

Justice

2

Executive summary **46**

Introduction **47**

Public Trustee for Saskatchewan **47**

Background 48

Our audit conclusions and findings 49

System acquisition controls need improvement 50

Senior management commitment 50

System requirements and benefits 51

Project management processes 52

Administration of clients' financial affairs needs improvement 54

Monitoring operations 54

Computer access controls 55

Investment earnings 56

Client and financial records 57

Staff training 58

Exhibit 1 ..... **60**

Executive summary

The Office of the Public Trustee of Saskatchewan (Office) administers the property and financial affairs of approximately 5,500 clients, including dependant adults, infants, and estates. For the year ended March 31, 1999, the Office acquired and disbursed approximately $38 million on behalf of its clients and held assets worth approximately $136 million.

The Office implemented a new computer system on October 1, 1999. This system was intended to help the Office administer the financial affairs of its clients and safeguard their assets.

The Office did not retain an expert consultant, independent of the contractor, to help it oversee the development of the new computer system. Also, the Office did not adequately test the system to ensure that it worked properly and met the Office's requirements. These weaknesses contributed to the system being late, over budget, and not yet meeting all of the Office's needs.

Due in part to difficulties associated with the development of its new computer system, the Office did not properly administer clients' affairs. The Office has not properly protected clients' money and other assets. The Office did not have rules and procedures to prevent unauthorized access to clients' money and other assets without detection. The Office did not limit access to its computer system and data and it did not keep reliable records showing the amounts it owed to clients. Also, the Office did not properly control the bank account holding the clients' money and has not properly controlled clients' other assets. In addition, the Office could not prepare its financial statements for the year ended March 31, 2000.

We did not do specific procedures to determine if clients' assets were used inappropriately. It is not practical for us to do this work. This is because the nature and extent of weaknesses in the Office's processes allow errors or improper transactions to occur without detection.

The Office needs to promptly take corrective action to fix its computer system and to properly administer its clients' affairs. Until these steps are taken, the risk of fraud, errors, and instances of non-compliance with the law will continue.

Introduction

The mandate of the Department of Justice is to promote safe communities, social and economic order, and fair and just relations among people through the operation of an independent, impartial, and effective justice system that upholds the rule of law and defines the basic legal rights of citizens.

The Department administers justice services, police services, and adult corrections in the Province. Also, the Department administers registry systems for corporations and personal property. In addition, the Department regulates pensions, trusts, credit unions, and businesses.

In Chapter 7 of our 2000 Fall Report – Volume 3, we reported the results of our audits of the Department of Justice and the related special purpose funds and Crown agencies for the year ended March 31, 2000, with the exception of the Public Trustee for Saskatchewan. This chapter includes the results of our audit of the Public Trustee for Saskatchewan for the year ended March 31, 2000.

Public Trustee for Saskatchewan

The Office of the Public Trustee for Saskatchewan (Office) administers the property and financial affairs of approximately 5,500 clients. Clients include dependent adults, infants, and estates. The Public Trustee is assisted by two Deputy Public Trustees and approximately 29 staff.

For the year ended March 31, 1999, the Office acquired and disbursed approximately $38 million on behalf of its clients and held assets worth approximately $136 million. Reliable numbers are not yet available for March 31, 2000. The majority of clients' assets is money. The Office is also responsible for personal items of clients, such as real estate, vehicles, furniture, appliances, and miscellaneous items.

Clients depend on the Office to manage their financial affairs. The Office is responsible for protecting clients' assets and making financial decisions and payments on their behalf. The Office needs strong administrative systems to carry out these duties. Without strong administrative systems, the clients' assets and the administration of their financial affairs are vulnerable.

Background

In our 1997, 1998, and 1999 Spring Reports, we reported that the continued operations of the Office were at risk due to:

- old computer equipment;
- the lack of a tested disaster recovery plan; and
- inadequate computer programs that could not handle Year 2000 data.

The Office had to replace its computer system. The equipment and programs were obsolete and could not process data after December 31, 1999. In response to these issues, the Office developed and implemented a new computer system. Also, the Office developed a contingency plan for its Year 2000 issues. The implementation of this new system and the contingency plan resolved the issues related to the old computer equipment and the Year 2000 issues.

In April 1997, the Department of Justice publicly tendered for a contractor to help the Office build a new computer system. The contractor's responsibilities included providing project management services, helping the Office to identify the system's requirements, and then building the system based on the requirements. The Office was responsible for overseeing the management of the project, testing the new system to ensure that it met the Office's requirements, converting the data from the old system to the new system, and training its staff to use the new system.

The Office's original plan was to complete the project by December 31, 1998 at an estimated cost of $700,000. During the development of the system, the Office divided the project into two stages. A Public Trustee in another province offered to contribute money to enhance the system's capabilities (i.e., requirements) for a 50% ownership of the system. The Office agreed. The second stage of the system's development contains some of the Office's original requirements and those enhancements requested by the other Public Trustee.

At March 31, 2001, the Office's share of the project's cost was $2.1 million. The other Public Trustee's share of the project's cost was $1.1 million. These costs do not include the wages of the Office's staff that worked on the project. Also, the development of both stages is ongoing and therefore the Office will incur additional project costs.

Our audit conclusions and findings

At the time of this report, the Office cannot prepare its March 31, 2000 financial statements. As a result, we cannot complete our audit of the Office for the year ended March 31, 2000. We will report our audit conclusions and findings for the March 31, 2000 financial statements in a future report.

We did not do specific procedures to determine if clients' assets were used inappropriately. It is not practical for us to do this work. This is because the nature and extent of the weaknesses in the Office's processes allow errors or improper transactions to occur without detection.

In our opinion, for the year ended March 31, 2000:

- **the Office's rules and procedures to safeguard and control clients' assets were not adequate because of the matters described later in this chapter; and**

- **the Office complied with the authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing and investing, except for the matters described later in this chapter.**

The Office needs to promptly take corrective action to fix its computer system and to properly administer its clients' affairs. We set out our findings and recommendations under the following headings:

- system acquisition controls need improvement; and

- administration of clients' financial affairs needs improvement.

System acquisition controls need improvement

Information technology projects are risky. Studies show that a high percentage of projects are late, over budget, and do not meet requirements. Also, building a computer system is more risky than buying one. This is because designing and building a computer system is a complex task that requires additional skills and knowledge. In addition, it is more difficult to predict the project's costs.

To overcome the risks associated with information technology projects, it is essential that:

- senior management is committed to the project;
- system requirements are justified and the anticipated benefits are monitored and tracked; and
- good project management systems and practices are used.

We used these three criteria and the project management processes set out in Exhibit 1 to assess the Office's processes for acquiring its new system. We applied the project management processes on a risk basis to focus on the Office's processes that were most crucial to the project's success.

Senior management commitment

Senior management commitment includes actively overseeing, funding, and promoting the merits of a project. Commitment is crucial from the project's start to its finish. When projects lack strong senior management commitment, project goals and objectives become blurred and expected benefits are not realized.

The Office showed strong commitment to the project. The Office set up an effective project structure that provided clear lines of authority and communication. In addition, the roles and responsibilities of staff were clearly outlined. For example, the Public Trustee was responsible for all approvals throughout the project. The Public Trustee gave timely approval to all project decision documents.

System requirements and benefits

The Office needs to strengthen its processes to ensure that system requirements are justified, its contractor delivers a system that satisfies those requirements, and it realizes the expected benefits.

An organization should justify its requirements for a new computer system. The first step in this process is an analysis of the organization's needs (i.e., needs analysis). The second step is an assessment of its requirements in terms of their costs and benefits (i.e., cost-benefit analysis). Both steps are necessary if an organization is to ensure that a new computer system will meet its needs and be cost-effective. Also, an organization needs processes to ensure that all system requirements are properly built into the system. In addition, an organization needs processes to ensure that it realizes the system's expected benefits.

We found that the Office's contractor performed a detailed needs analysis for the Office. This analysis identified the key processes that existed at the Office, the Office's needs in carrying out its clients' responsibilities, and opportunities to streamline the Office's operations. Using this information, the Office selected the system's requirements.

However, we found that the cost savings set out in the Office's cost-benefit analysis were not adequately supported. Also, the Office approved several changes to the system's requirements without obtaining sufficient cost information, their impact on the project, and their expected benefits. In addition, we found that the Office did not have adequate processes to check whether the contractor delivered all of the approved system's requirements and to determine whether the Office would realize the system's expected benefits.

These weaknesses contributed to cost and time overruns and a system that does not yet fully meet the needs of the Office.

1. **We recommend that the Office ensure that future changes to the system's requirements are properly justified.**

2. **We recommend that the Office strengthen its processes to ensure that:**

- **the contractor delivers all the approved system requirements; and**

- **the Office realizes the benefits it planned to receive from the system.**

Project management processes

The Office needs to strengthen its project management processes. The Office did not have or acquire the necessary knowledge and skills in developing computer systems to oversee the development of the new system.

Project management consists of the processes necessary to effectively and efficiently bring together the application of skills, tools, and resources to achieve a common objective. Ultimately, a project's success depends on the project team having the necessary skills, knowledge, and experience to get the job done.

We note the following significant issues related to the management of the new computer system.

Human resource management. The Office did not have staff with experience and training in managing complex computer development projects. The Office partially compensated for this weakness by obtaining project management services from its contractor. However, we found that the Office did not hire an expert to help manage this project. An expert would be a qualified practitioner, independent of the Office's contractor, who has several years of experience in managing and assessing computer projects of similar size and complexity. Without expert advice, the Office could not effectively carry out its project responsibilities including managing its risks and holding its contractor accountable for the work performed.

Risk management. The Office did not manage all its significant risks when it implemented the new computer system. For example, the Office did not have a plan to manage the risks to clients' assets and records if the computer system did not work properly.

Also, the Office chose to proceed with the development of the system's second stage before the first stage was finished and working properly. This decision significantly increased the project's risks because it placed additional demands on the Office. Management and staff had to finish the first stage of the project, use an incomplete system to manage the assets and transactions of clients, and work on the second stage. This difficult situation contributed to the Office's failure to protect clients' assets.

Had the Office hired an expert to help assess its risks at key stages of the project, it would have strengthened its ability to effectively oversee the management of the project.

Quality management. The Office needed to improve its quality management processes. Quality management includes planning and executing tests to determine whether a system meets all of its requirements and works properly. For a complex computer system, this requires specialized skills and knowledge. For example, the Office needed information on the quality management practices the contractor used to develop and test the system. The Office needed to know the likelihood of undetected programming errors and whether the programs would process the amount of data required. Without this information, the Office could not successfully plan or execute tests to ensure the new system met requirements and worked properly.

We found that the Office's plans to test its new system were inadequate. Although the Office spent significant time doing system testing, some key aspects of the system received insufficient testing. For example, the automated bank reconciliation did not work when the system was implemented.

In summary, when project management processes are not effective, the risks of acquiring and implementing defective computer systems increase. Problems still exist with the system's first stage and that the development of the second stage is ongoing. An independent assessment of the project's risks at this time may help the Office resolve the system's current problems and prevent future system problems.

3. **We recommend that the Office hire an expert consultant to help strengthen its project management processes.**

Administration of clients' financial affairs needs improvement

Clients depend on the Office to administer their financial affairs. To do this, the Office needs rules and procedures to protect clients' assets and ensure reliable client and financial records.

Because the Office's rules and procedures are inadequate, unauthorized access to clients' assets could occur without detection. Also, the Office did not keep reliable records showing the amounts it owed to clients and it did not keep reliable financial records. In addition, the Office did not properly control its bank account, did not properly control clients' personal assets, and could not prepare its financial statements for the year ended March 31, 2000. As a result, the Office did not properly administer its clients' affairs.

We group our findings and recommendations in this section under the following headings:

- monitoring operations;
- computer access controls;
- investment earnings;
- client and financial records; and
- staff training.

Monitoring operations

The Office's management does not receive sufficient information to monitor the effectiveness of its rules and procedures for protecting clients' assets and administering their financial affairs.

One of the objectives of the Office's new computer system was to streamline operations by keeping track of work that staff needed to do on behalf of clients and by automating the processing of clients' transactions. For example, a second person no longer reviews and approves most payments from clients' accounts. In place of this procedure, the Office

relies on its computer system to prevent unauthorized use of clients' money without detection. This approach is acceptable provided that the automated controls work effectively, access controls are strong, staff use the system properly, and management receives information to monitor its operations. Otherwise, the Office's risk of fraud and error increases.

The Office's management needs to receive information that will permit it to monitor the effectiveness of its system and monitor whether staff use it properly. For example, management needs to receive monthly financial statements and information on significant changes in clients' assets, unusual financial activity in clients' accounts, and unusual financial transactions. Also, management needs to receive information about clients' work not being done promptly, the adequacy of staff access controls, and whether staff are following the Office's procedures.

We found that management does not receive the kind of information described in the preceding paragraph. Without this information, the Office cannot ensure that clients' assets are properly protected.

4. **We recommend that management obtain the information to determine whether:**

   - **its system of controls for protecting clients' assets is effective; and**
   - **staff follow the Office's rules and procedures for administering clients' affairs.**

Computer access controls

The Office needs to strengthen its policies that limit the access to its computer system and data.

Security procedures that restrict employees' access to systems and data are critical for preventing unauthorized access to clients' assets without detection and for maintaining reliable records. Access controls define what information an employee can access and what changes, if any, that an employee can make. Therefore, adequate access controls ensure the segregation of incompatible duties (e.g., prevent an employee from initiating, authorizing, and making a payment).

Management should ensure access to systems and data is appropriately controlled. When access controls are weak, the risk of errors or improper transactions and their concealment increases. Also, weak access controls increase the risk of confidential information being inappropriately released.

The Office did not have sufficient access restrictions to its computer system and data. For example:

- Three staff that maintain financial records have unrestricted access to the computer system and data. As a result, there is the potential for these individuals to initiate, process, and conceal improper transactions.

- All staff have the ability to set up new vendors (i.e., payees). This increases the risk that payments could be made to fictitious vendors.

- Staff access to the computer system and data was not properly reviewed or approved.

As a result of inadequate policies to limit the access to its computer system and data, the unauthorized use of clients' assets could occur without detection. This is because this weakness, coupled with the extent of the other weaknesses described in this section, allows the concealment of unauthorized and improper transactions.

5. **We recommend that the Office strengthen its policies for limiting the access to its computer system and data.**

Investment earnings

The Office needs rules and procedures to ensure that clients' investment earnings are correctly recorded in clients' records.

The majority of clients' assets is money held in an investment fund. The rules for allocating the fund's earnings are set out in *The Public Trustee Regulations, 1999*. Each month, the Office determines the earnings for each client and allocates the earnings to its clients.

In March 2001, we discovered that the Office made an error in clients' investments' earnings. It recorded excess earnings in clients' accounts from October 1999 to February 2001. We also discovered that this error caused an error in the administration fees that the Office charges its clients. As a result of these errors, the Office did not comply with *The Public Trustee Act, 1999* and *The Public Trustee Regulations, 1999*. We informed the Office of these errors.

In March 2001, the Office determined that it had recorded approximately $2.5 million more in earnings than it should have in its clients' records. Also, because of this error, the Office had collected approximately $85,000 in excess administration fees from its clients. The Office is able to correct the records of its current clients. However, the Office paid approximately $270,000 of incorrect earnings to its former clients. The Office used money from other clients when it made these incorrect payments. If the Office is not able to recover these overpayments from its former clients, the Office must seek to recover the $270,000 from the Government.

6. **We recommend that the Office:**

- **develop rules and procedures to ensure that it correctly records clients' investment earnings and administration fees; and**
- **seek to recover the $270,000 from former clients' or from the Government's General Revenue Fund.**

The Office told us that it has corrected the current clients' records for the earnings it gave to them in error and it plans to return the excess administration fees it charged them.

Client and financial records

The Office needs to promptly complete procedures to ensure that its records are reliable.

We found the following:

- The Office did not keep accurate records of financial items (e.g. stocks, bonds, and mutual funds) owned by clients. We found a $490,000 difference between the Office's records and the financial items held by the Office on behalf of its clients.

- The Office did not keep accurate records of personal items (e.g. real estate, vehicles, furniture, and jewellery) owned by clients. We found that some items recorded in clients' records no longer existed and other items that did exist were not recorded. For example, the Office had not recorded a house and a car that were owned by a client. Also, the Office did not appraise all items in accordance with its policy (i.e., every three to five years).

- The Office did not ensure that its financial records were accurate. For example, it could not balance its books (i.e., general ledger). As of March 31, 2001, the Office still does not have accurate financial records for March 31, 2000.

- The Office did not compare its records to the bank's statements (i.e., reconcile its bank account) from October 1999 to March 31, 2000 until October of 2000. This procedure helps ensure the reliability of accounting records and would find any errors made by the bank.

7. **We recommend that the Office promptly:**

   - **prepare accurate records of the financial and personal items owned by clients;**
   - **balance its general ledger; and**
   - **reconcile its bank account.**

Staff training

The Office needs to provide additional training to its staff in using the new computer system. Also, to help the staff carry out their duties, the Office needs to provide staff with updated guidance on using the computer system to record and monitor clients' data.

Training staff to properly use a system is a challenging task that requires strong change management processes. Training should be an ongoing process and include courses designed to meet the staff's needs, documentation that staff can study and refer to for guidance, and monitoring processes to determine whether staff need more help in learning how to properly use the new system.

The Office provided initial training courses and a procedures manual to staff. However, staff did not use the system as intended and the procedures manual needs updating. For example, the Office's new computer system has a budget feature to help manage the financial affairs of clients. The system also has a work queue feature to help staff keep track of clients' work. Staff are required to use these features. However, approximately 50% of the staff that manage clients' affairs did not use the budgeting and work queue features.

When staff do not receive sufficient training and/or guidance in the use of a new system, the risk of errors and mistakes increases.

8. **We recommend that the Office:**

- **provide additional training to staff in using the computer system to manage the affairs of clients; and**
- **update the staff's procedure manual.**

Exhibit 1

We chose the Project Management Institute's standard, A Guide to the Project Management Body of Knowledge, as the management framework to evaluate the project management processes used in the development of the new system. The eight processes are:

Scope management – the processes involved in determining what the users need, how the needs will be met, and verifying if they are met.

Time management – the processes of planning, scheduling, and controlling the project's activities to help get the project done on time.

Cost management - the processes of planning, estimating, and controlling the project costs.

Quality management – the processes needed to ensure that the project is well managed and satisfies the stakeholders' needs.

Human resource management – the processes required to make the most effective use of people involved in the project, including stakeholders. This includes change management, training, and staffing.

Communication management –the processes, including organizational structure, to ensure the timely and complete creation, movement, and storage of information.

Risk management – the processes to identify, evaluate, plan, and respond to risks.

Procurement management – the processes that determine what to contract for: tendering and selecting the best contractor; and negotiating, managing, and closing the contract.

Municipal Affairs, Culture and Housing

3

Executive summary **62**

Introduction **63**

Overview of Department spending 63

Special purpose funds and Crown agencies 64

Audit conclusions and findings **64**

Department 66

Adequate checks needed 66

Status of previous recommendations 67

For libraries 68

For local governments 69

For federal-provincial infrastructure programs 69

Reporting on performance – annual reports 70

First Nations Fund 71

Observation 71

Background 72

Department's supervisory responsibility 75

Our audit findings 76

Ensuring that the money the Trustees pay to First Nations is used for the purposes described in the Act 77

Ensuring that the money the Trustees give to the FSIN is spent for the purposes intended 78

Certain transactions not permitted under the law 81

Public Accountability - preparation of an annual report 82

Saskatchewan Archives Board 83

Status of previous recommendation on written contracts 84

Saskatchewan Housing Corporation 84

Tabling of financial statements 85

Executive summary

In this chapter, we report on the Department of Municipal Affairs, Culture and Housing, and on a number of agencies for which it is responsible. This is our first report to the Legislative Assembly on the First Nations Fund's management of public resources. For several years, the Trustees of the fund refused to co-operate with our Office. They are now co-operating with us. As a result, we can now tell the Assembly about the Trustees' management of public resources.

The Trustees did not spend nearly $34 million of public resources with due care. They did not ensure that the money was spent according to provincial law. Also, the Department did not properly supervise the Trustees to ensure that the Trustees spent the money with due care and in accordance with provincial law.

We make five recommendations relating to the First Nations Fund. Four of the five recommendations are intended to improve the Trustees' management of public resources. The fifth recommendation relates to improving the Trustees' public accountability.

We also make one new recommendation relating to the provincial-municipal infrastructure program managed by the Department. In 1999-2000, the Department paid municipalities $9.7 million under this program. We found that the Department needs to improve its procedures to ensure that municipalities spend the money on projects that meet the conditions of the program.

Our previous recommendations relate to a number of areas—libraries, local governments, Saskatchewan Archives Board, and Saskatchewan Housing Corporation. The Department has made good progress on the recommendations relating to libraries and local governments. We note limited progress on our recommendations relating to the Saskatchewan Archives Board and Saskatchewan Housing Corporation.

Introduction

Up to February 8, 2001, the Department of Municipal Affairs, Culture and Housing (Department) was responsible for supporting and maintaining a viable system of municipal government in Saskatchewan. This included enabling communities to provide local governance, public protection, social housing, and access to sport, recreation, culture, and information. The Department worked in partnership with communities by providing financial and technical support and by developing legislation, regulations, and other policies to meet the changing needs of Saskatchewan people. After February 8, 2001, Cabinet created two departments to carry out this work: the Department of Municipal Affairs and Housing, and the Department of Culture, Youth, and Recreation.

Overview of Department spending

The following is a list of major programs and their spending for the year ended March 31, 2000 as reported by the Department of Municipal Affairs, Culture and Housing in the *Public Accounts 1999-2000: Volume 2: Details of Revenue and Expenditure* (1999-2000 Public Accounts – Volume 2).[1]

	Original Estimates	Actual
	(In millions of dollars)	
Municipal Financial Assistance	$ 86.3	$ 86.1
Housing	34.8	34.5
Gaming Funds	16.9	19.9
Provincial Library	8.1	8.1
Cultural & Recreation Financial Assistance	7.8	8.1
Municipal & Community Services	7.3	7.1
Accommodation & Central Services	2.8	2.8
Public Safety	4.3	5.1
Cultural Tourism Facilities	4.0	4.4
Administration	2.2	2.3
	$ 174.5	$ 178.4

[1] To view a copy of this report, see http://www.gov.sk.ca/finance/paccts

Special purpose funds and Crown agencies

At March 31, 2000, the Department was responsible for the following special purpose funds and Crown agencies:

	Year End
Associated Entities Fund	March 31
First Nations Fund[2]	March 31
Municipal Potash Tax Sharing Administration Board	December 31
Northern Revenue Sharing Trust Account	December 31
Saskatchewan Archives Board	March 31
Saskatchewan Arts Board	March 31
Saskatchewan Heritage Foundation	March 31
Saskatchewan Housing Corporation (including 281 public housing authorities)	December 31
Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation	March 31
Western Development Museum	March 31

Audit conclusions and findings

This section contains our audit conclusions and findings for the Department, for three of its agencies for the year ended March 31, 2000—Saskatchewan Archives Board, Saskatchewan Heritage Foundation, and First Nations Fund, and for three of its agencies for the year ended December 31, 2000—Saskatchewan Housing Corporation, Municipal Potash Tax Sharing Administration Board, and Northern Revenue Sharing Trust Account.

Chapter 8 and Appendix 2 of our 2000 Fall Report – Volume 3 contained our findings for the remaining agencies for the years ended on or before March 31, 2000—Associated Entities Fund, Saskatchewan Arts Board, Saskatchewan Lotteries Trust Fund for Sport, Culture, and Recreation, and Western Development Museum.

[2] As of August 3, 2000, the First Nations Fund became the responsibility of the Minister of Intergovernmental and Aboriginal Affairs.

Our Office worked with KPMG, the appointed auditor, to carry out the audits of the Saskatchewan Housing Corporation and the First Nations Fund, and to form the opinions below. Our Office and the appointed auditor worked together using the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.[3]

In our opinion:

- **The following financial statements are reliable:**
  - **for the year ended March 31, 2000:**
    - **the Saskatchewan Archives Board; and**
    - **the Saskatchewan Heritage Foundation;**
  - **for the year ended December 31, 2000:**
    - **the Saskatchewan Housing Corporation;**
    - **the Municipal Potash Tax Sharing Administration Board; and**
    - **the Northern Revenue Sharing Trust Account.**
  - **for the years ended March 31, 1997, 1998, 1999, and 2000:**
    - **the First Nations Fund;**

- **The Department and the above agencies had adequate rules and procedures to safeguard and control their assets except for the matters reported in this chapter.**

- **The Department and the above agencies (not including the First Nations Fund) complied with authorities governing their activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing except for the matters reported in this chapter.**

- **For the First Nations Fund for the years ended March 31, 1997, 1998, 1999, and 2000, we are unable to determine if the Trustees of the Fund complied with authorities governing the Fund's activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing because of the matters described in this chapter.**

[3] To view a copy of this report, see our website at http://www.auditor.sk.ca/rrd.html

In this chapter, we also report on the public accountability of the Trustees' of the First Nations Fund. Further, we conclude that the Department needs to improve further its annual reports so that they become better reports on the Department's performance.

The following sets out the mandate of each agency and our findings in more detail of the Department and of each agency.

Department

In this section, we make one new recommendation and provide the status of previous recommendations.

Adequate checks needed

The Department needs to ensure that certain payments meet the specific conditions of the provincial-municipal infrastructure program.

The Department established the provincial-municipal infrastructure program under *The Urban Municipalities Revenue Sharing Regulations, 1981*, the *Rural Municipalities Revenue Sharing Regulations, 1997*, and the *Northern Municipalities Act*. In 1999-2000, the Department paid municipalities $9.7 million under the provincial-municipal infrastructure program.

Under this program, municipalities must spend the money on projects that meet specific conditions. For example, these projects must bring infrastructure up to recognized standards in the areas of health, pollution, or safety. Projects were to be completed by March 31, 2000. The Department pays up to 50% of eligible project costs. The program expects municipalities to raise the remaining 50% of the total project cost.

Currently, the Department bases the amounts paid to municipalities on declarations signed by municipalities. In each declaration, the municipality states that it will comply with the specific conditions of the program. The Department does not check to ensure program conditions are met prior to payment. To ensure program conditions are met, the Department intended to use knowledge gained from working with each municipality combined with information gained from a sample of post-checks of

payments. For over or underpayments identified, the Department planned to adjust future payments to the municipality by the necessary amount.

As at December 2000, which was nine months after the completion date of the projects, the Department had not done any post-checks of payments. As a result, the Department does not have the necessary information to determine if the payments it made to municipalities complied with the *Urban Municipalities Revenue Sharing Regulations, 1981*, the *Rural Municipalities Revenue Sharing Regulations, 1997*, the *Northern Municipalities Act*, and the related program guidelines. As a result, our Office cannot determine if payments made under this program were used for the purposes intended.

1. **We recommend that the Department improve its procedures to ensure provincial-municipal infrastructure grants provided to municipalities meet the conditions of the related program.**

Status of previous recommendations

The following are previously reported outstanding recommendations. Under each, we identify key activities that the Department has undertaken to move towards compliance with these recommendations.

The Standing Committee on Public Accounts discussed and concurred with the first two recommendations. It has not yet discussed the last two.

We continue to recommend that:

For libraries:

- the Department should require the libraries to use standards for financial statements recommended by The Canadian Institute of Chartered Accountants (CICA); and
- the Department should receive and verify reports on how successful the libraries were in meeting the Department's objectives.

For local governments:

- the Department should require local governments to prepare their financial statements following the standards for local governments recommended by the CICA.

For federal-provincial infrastructure programs:

2. **We recommend that the Government of Saskatchewan ensure its agreements contain provisions that clearly assign responsibilities among the partners and provide sufficient resources to carry out administrative and other program requirements (including timely monitoring and reporting on achievement of results).**

For reporting on performance:

3. **We recommend that the Department continue to improve its annual report.**

For libraries

The law, specifically *The Public Libraries Regulations, 1996*, sets out specific conditions libraries must meet to qualify for and retain money received from the Department. During the year, the Department continued to make progress towards meeting our recommendations. The Department continued to work with the directors from each of the 10 public library systems boards (boards) in the Province to determine how best to meet our recommendations.

During 2000, the Department communicated to boards its expectations of the library system and libraries within the system. It introduced various steps to monitor the adequacy of the boards' rules and procedures and their ability to meet the Department's objectives. These include the attendance of Department staff:

- at the periodic meetings with library directors and board chairs; and

- at the meetings of library system boards when each board tables and discusses its annual report and financial statements.

The Department expects each of the library system boards to adopt the CICA standards for the preparation of their financial statements for the year ended December 31, 2000. The Department also expects an audited schedule of materials expenditures to be included with the financial statements. It also expects libraries to provide additional information. This information includes a report on understanding and compliance with the grant conditions and internal controls used to safeguard library assets. The Department is working with the boards to ensure it receives comparable data from the systems. We look forward to the Department's continued progress.

For local governments

The Department has not yet changed its financial reporting requirements for local governments. The Department continues its work with local governments (i.e., municipalities) to help them build their capacity to improve their financial reporting. It is also considering changes to the law that will include adoption of the CICA standards for the preparation of local government financial statements.

For federal-provincial infrastructure programs

The Federal-Provincial Infrastructure Program – Phase II (Phase II) finished in 1998-1999.

During 1999-2000, the Federal/Provincial Management Committee began its review of a sample of projects under the Phase II. The Federal Government carried out this review. It assessed whether sufficient supporting information existed to ensure that projects and costs incurred met the Phase II requirements. The Federal Government planned to incorporate the findings of the review into the design of similar future programs. The Department planned to rely on the results of this review and did not plan to or carry out any additional procedures.

In August 2000, the Federal Government reported the results of its review to the Department. It reported that a number of projects, in which the Department had advanced monies to municipalities, did not meet Phase II

requirements. The report did not quantify these amounts. The Department has not sought repayment from the municipalities for ineligible amounts paid. We were told that the Federal Government has not sought repayment from the Department for the matching portion it paid that related to these ineligible costs.

Similar to the results of our audit reported in Chapter 6 of the 1999 Fall Report – Volume 2, the Federal Government reported that it could not collect sufficient information to conclude if the projects met the Phase II requirements, e.g., the actual number of jobs created as a result of the project or if the project was incremental. It stated that information was difficult to collect because Phase II included definitions that were unclear or were poorly defined.

In 1999-2000, the Department did not enter into any new arrangements with the Federal Government for infrastructure. As a result, the Department did not have an opportunity to act upon our recommendation relating to clearly assigning responsibilities in future agreements.

Reporting on performance – annual reports

The Department added its strategic goals to its 1999-2000 Annual Report. These Department's strategic goals link to the activities of its divisions included in the Report. The Department's 1999-2000 Annual Report continues to describe the Department, its major activities, and accomplishments.

To improve its annual report as a performance report, future annual reports need to include a description of:

- the key risks the Department faces;
- what the Department views as its measures of successful achievement of its strategic goals; and
- the extent to which the Department has achieved its plan including an analysis of the differences between planned and actual operational results.

Good reporting depends on good planning. Management told us that the content of the Department's annual report reflects the stage that the Department is at in getting approval for its strategic plan. The Department expects to improve its annual report to include the items mentioned above as Cabinet approves the related parts of its strategic plan.

First Nations Fund

The Saskatchewan Gaming Corporation Act (Act) established the First Nations Fund (Fund). Cabinet appoints the Trustees of the Fund.

The Trustees are stewards of public money, and are responsible for carrying out economic development, social development, justice, health, and other initiatives relating to Indian Bands (First Nations) as required by the Act.

The Legislative Assembly makes money available to the Department of Municipal Affairs, Culture and Housing (Department) for the Fund. Effective August 3, 2000, Cabinet made the Department of Intergovernmental and Aboriginal Affairs responsible for the Fund.

The Fund is subject to an audit under *The Provincial Auditor Act*. Cabinet appointed KPMG as the appointed auditor of the Fund.

For the year ended March 31, 2000, the Department paid $11.8 million (1999 - $10.2 million; 1998 - $9.8 million; 1997 - $2.2 million) to the Fund.

For the year ended March 31, 2000, the Fund had revenues of $11.8 million (1999 - $13.7 million; 1998 - $7.5 million; 1997 - $1.1 million) and expenses of $11.8 million (1999 - $14.5 million; 1998 - $6.8 million; 1997 - $1.0 million). The Department gave the Legislative Assembly the Fund's financial statements for the years ended March 31, 1997, 1998, 1999, and 2000.

Observation

The Saskatchewan Gaming Corporation Act and the Agreements between the Government and the Federation of Saskatchewan Indian Nations (FSIN) provide a sound public accountability framework for the Trustees of the Fund. Under this framework, the Legislative Assembly

retained the right to control how the Trustees of the Fund spend public resources. Also, through the Minister, the Trustees are accountable to the Assembly for their duty to ensure that the money they spend is used according to the law. For the last four years, the Trustees did not discharge this duty, and the supervising Department did not ensure that the Trustees did so.

In our past reports, we said the Trustees refused to co-operate with us. As a result, we could not fully audit the Trustees' management of public resources for the years ended March 31, 1997, 1998, and 1999. This prevented us from reporting, until now, our concerns regarding the Trustees' management of public resources totalling approximately $34 million to the Legislative Assembly, the Government, and the Trustees. Because the Department and the Trustees were not aware of our concerns, they could not take action to address those concerns.

In August 2000, the Minister of Intergovernmental and Aboriginal Affairs requested the FSIN to provide our Office with the necessary access to the accounts of the Fund to fulfil our duties. On November 13, 2000, the Minister of Intergovernmental and Aboriginal Affairs informed us by letter that he had again requested the FSIN to provide our Office with necessary access to the accounts of the Fund to fulfil our duties. On December 1, 2000, the Chief of the FSIN informed us that the FSIN and the Trustees are willing to co-operate with us. The Trustees are now co-operating with our Office.

As part of this co-operation, in February 2001, the Trustees of the Fund allowed KPMG to do an audit to report on the adequacy of the Trustees' rules and procedures to safeguard and control the Fund's assets, and to comply with the laws. Also, the Trustees allowed KPMG to do an audit to report whether or not the Trustees complied with the laws governing the Fund's activities. This additional work is necessary for our Office to discharge our responsibilities to the Assembly.

Background

The FSIN and the Government made an agreement on June 17, 1994. This agreement sets out arrangements for the proposed development of casinos in Regina and Saskatoon. Under the agreement, Saskatchewan Casino Corporation (a Crown corporation later named Saskatchewan

Gaming Corporation) was to develop and operate both proposed casinos. Also, under that agreement, the Government committed to proposing, to the Legislative Assembly, a law establishing a First Nations Fund (Fund). The Government agreed to include the following provisions in the proposed law:

- twenty-five percent of the net profits of Saskatchewan Gaming Corporation shall be paid to the Fund;
- the general purposes for which payments may be made from the Fund subject to the condition that payments shall be made to all bands (First Nations) on a fair and equitable basis shall be set out;
- Cabinet shall have the right to appoint the Board of Trustees for the Fund consisting solely of persons nominated by the FSIN; and
- Cabinet shall be provided authority to appoint an auditor for the Fund.

The FSIN also agreed that the Chiefs' Assembly (First Nations Chiefs' Legislative Assembly) may establish: the criteria for payments made from the Fund, the process for such payments, the requirements relating to audits of recipients of such payments (including the appointment of auditors for such purposes), and any other related matters.

In 1994, the Legislative Assembly enacted *The Saskatchewan Gaming Corporation Act* as required under the 1994 agreement. The Act established the Fund and provided for all the requirements under the agreement.

The proposal to establish the Saskatoon casino did not proceed. As a result, in February 1995, the FSIN and the Government made an additional agreement commonly known as "The Framework Agreement." The Framework Agreement allowed the FSIN to establish a maximum of four casinos to be operated within the parameters of the *Criminal Code of Canada*. The Framework Agreement also defines "First Nation Trust" as the First Nations Fund established under *The Saskatchewan Gaming Corporation Act*, or a trust fund with similar purposes established and designated by the FSIN.

The FSIN established the Saskatchewan Indian Gaming Authority (SIGA), to operate four casinos established under the Framework Agreement. SIGA began operating the four casinos in 1997; 1998 was its first full year of operations.

The Legislative Assembly changed the Act in 1997. The changes require that the Trustees pay all the money they receive under the Framework Agreement into the First Nations Fund established under the Act. The changes do not allow the Trustees to pay the money they receive into a trust fund that the FSIN might establish.

The Framework Agreement describes the formula for distributing the net profits of the SIGA-operated casinos located on reserves and off reserves. The 1994 agreement sets out the distribution formula for the net profits of casinos operated by the Saskatchewan Gaming Corporation (Corporation).

The Trustees maintain that the FSIN established the First Nations Trust Fund II as provided under the Framework Agreement. The Trustees say that all the money they receive is paid into the First Nations Trust Fund II. Also, the Trustees maintain that the Act established the First Nations Fund to receive the share of net profits of casinos operated by the Saskatchewan Gaming Corporation and that the FSIN established the First Nations Trust Fund II to receive the share of net profits of casinos operated by SIGA.

The Trustees' position is not consistent with the law and how they administer the money. The FSIN established a trust fund called First Nations Trust Fund II on January 9, 1996. The document setting up this trust fund states that the First Nations Trust Fund I (later called First Nations Trust Fund by the FSIN) means the Fund established under *The Saskatchewan Gaming Corporation Act*. The Trustees paid all the money they received from the Department into the First Nations Trust Fund, which is the same as First Nations Fund. The Trustees did not pay any of the money they received from the Department into the First Nations Trust Fund II.

Quarterly, the Department pays the money due to the First Nations Fund from the gaming activities of all casinos in Saskatchewan. As stated above, the Fund's Trustees record this money as revenue of the First

Nations Trust Fund. The Trust Fund's financial statements clearly state that they are the financial statements of the Fund established under the Act.

The First Nations Fund is the only fund established by the Legislative Assembly to receive the FSIN's share of net profits from all casinos in the Province. The Act states:

> The [First Nations Fund] consists of:
>
> (a) moneys paid to the fund pursuant to section 22 [25% share of the Saskatchewan Gaming Corporation's net profits];
>
> (b) moneys paid to the fund pursuant to any agreement between:
>
> (i) the Government of Saskatchewan or any of its agents; and
>
> (ii) the Federation of Saskatchewan Indian Nations or the Saskatchewan Indian Gaming Authority Inc.;
>
> (c) amounts from appropriated moneys that may be authorized by the Lieutenant Governor in Council; and
>
> (d) earnings on investments of the fund.

As stated earlier, the Trustees maintain that the agreements between the FSIN and the Government allowed for the establishment of two funds. However, the Legislative Assembly only provided for one fund, the First Nations Fund.

Accordingly, the Trustees of the First Nations Fund are accountable to the Legislative Assembly of Saskatchewan for all the money paid to them from the Department of Municipal Affairs, Culture and Housing. (Effective August 3, 2000, Department of Intergovernmental and Aboriginal Affairs.) Also, the Department is responsible for supervising the Trustees of the Fund.

Department's supervisory responsibility

The Department is responsible to supervise the Trustees of the Fund to ensure the Trustees spend money with due care and operate in accordance with the laws.

In a letter dated May 3, 2001 to our Office, the Trustees insisted that the Trust is operated as First Nations Trust Fund II as established by the

Trust indenture of January 9, 1996. Therefore, because the Trustees continue to maintain that the Fund they administer is not the Fund that was established under *The Saskatchewan Gaming Corporations Act*, they may continue to operate the Fund outside the provincial legislation.

4. **We recommend that the Department of Intergovernmental and Aboriginal Affairs should supervise the Trustees of the First Nations Fund to ensure the Trustees spend public money with due care and in accordance with the provincial legislation.**

Our audit findings

In our 2000 Fall Report and in past Reports, we said we have been unable to discharge our responsibilities to the Assembly to audit the Fund since it started operations in 1996. We had not audited the Fund for the years ended March 31, 1997, 1998, and 1999 because the Trustees of the Fund refused to co-operate with us. We also pointed out that it is not possible to evaluate the Fund's rules and procedures for managing the Fund's operations for the years we have not audited. We said so because the projection of any evaluation of an organization's rules and procedures to a past period is subject to the risk that procedures may not be the same or the degree of compliance with them may be increased or decreased.

In December 2000, the Trustees of the Fund advised that we could have access to the Fund's accounts and that the Trustees are willing to co-operate with our Office. Also, in January 2001, the Trustees instructed KPMG, the Fund's appointed auditor, to allow us full access to KPMG's files. The Trustees also hired KPMG to examine and report on the adequacy of the Trustees' rules and procedures to safeguard and control the Fund's assets and on whether the Trustees complied with authorities governing the Fund's activities.

KPMG told us that they cannot assess the adequacy of the Trustees' rules and procedures to safeguard and control the Fund's assets for the years prior to March 31, 2000. KPMG informed us that they cannot do so because a projection of an evaluation of the Fund's rules and procedures to the previous years is subject to the risk that procedures may not be the

same or the degree of compliance with them may be increased or decreased. We agree.

Accordingly, in this chapter, we report on the adequacy of the Trustees' rules and procedures to safeguard and control the Fund's assets for the year ended March 31, 2000 and on the Trustees' compliance with authorities governing the Fund's activities for the years ended March 31, 1997, 1998, 1999, and 2000. We also report on the reliability of the Fund's financial statements for the years ended March 31, 1997, 1998, 1999, and 2000.

Ensuring that the money the Trustees pay to First Nations is used for the purposes described in the Act

The Trustees need rules and procedures to ensure that the money they pay to First Nations is used for the purposes described in *The Saskatchewan Gaming Corporation Act* (Act) and is properly safeguarded until it is spent.

Section 20(1) of the Act authorizes the Trustees to make payments from the Fund to the First Nations in Saskatchewan for the following purposes:

(a) economic development;
(b) social development;
(c) justice initiatives;
(d) education development;
(e) recreational facilities operation and development;
(f) senior and youth programs;
(g) cultural development;
(h) community infrastructure development and maintenance;
(i) health initiatives; and
(j) charitable purposes in accordance with any agreement between:
    (i) the Government of Saskatchewan or any of its agents; and
    (ii) the Federation of Saskatchewan Indian Nations or Saskatchewan Indian Gaming Authority Inc.

To ensure the First Nations spend the money they receive from the Trustees for the purposes described in the law, the 1994 Agreement between the Government and the FSIN states that the Chiefs' Assembly may establish criteria for making payments from the Fund. The established criteria may include the process for such payments and the

requirements relating to audits of recipients of such payments (including the appointment of auditors for such purposes).

We expected that the Trustees would have a fair and equitable method of allocating money to all First Nations in Saskatchewan. To ensure that the First Nations use that money for the objectives described in the Act, we expected the Trustees would ask the First Nations to provide project proposals to the Trustees. Such project proposals would set out what the First Nations planned to achieve for their people and how they planned to spend the money. We also expected the Trustees to have a process in place to monitor how well the First Nations achieved the planned objectives and to monitor the use of the money. Also, we expected the Trustees to have rules and procedures to ensure that the First Nations safeguard the money they receive from the Trustees until the money is spent. These expectations are common practices for Saskatchewan government agencies.

The Trustees paid money to the First Nations on a per capita basis using the membership of each First Nation. We think allocation to the First Nations on per capita basis is a fair and equitable method. The Trustees paid $10.7 million to the First Nations in Saskatchewan for the year ended March 31, 2000 (1999 - $13.5 million; 1998 - $6.2 million; 1997 - $0.7million). The Trustees, however, did not place any conditions on the money they paid to the First Nations. Nor did the Trustees do any procedures to ensure the First Nations spent the money for the purposes described in the Act.

As a result, we are unable to determine if the money the Trustees paid to the First Nations was used for the purposes set out in the law.

5. **We recommend that the Trustees of the First Nations Fund should establish rules and procedures to ensure the First Nations (bands) only use the money received from the Trustees for the purposes described in *The Saskatchewan Gaming Corporation Act*.**

Ensuring that the money the Trustees give to the FSIN is spent for the purposes intended

The Trustees paid the FSIN the following amounts in each of the last four years for the First Nations Addictions Rehabilitation Foundation, the

F2

Saskatchewan Indian Veterans Association, and for the administration of the Fund.

First Nations Addictions Rehabilitation Foundation (Foundation)	
1997	$ 186,030
1998	270,173
1999	764,350
2000	944,350
Total	$ 2,164,903

Saskatchewan Indian Veterans Association (Association)	
1998	$ 35,500
1999	35,500
2000	69,750
Total	$ 140,750

Fund Administration	
1997	$ 48,919
1998	131,913
1999	100,000
2000	100,000
Total	$ 380,832

We expected that the Trustees would have asked the FSIN to provide the Trustees with the business plans for those organizations who requested money from the Trustees. Such business plans would set out what the organizations intended to achieve and how they planned to use the money requested. We also expected that the Trustees would have a process to monitor how successfully those organizations achieved the planned objectives and to monitor the use of the money. Also, we expected that the Trustees would have rules and procedures to ensure the recipient organizations safeguarded the money they received from the Trustees until the money is spent.

Payments to the Foundation

The Framework Agreement required the FSIN to establish a charity that would work in co-operation with government agencies to ensure that effective and accessible prevention and treatment programs for gambling addictions are available to First Nations people. The Trustees paid nearly

$2.2 million to the FSIN for the Foundation. The Trustees could not provide us with any information relating to the operations of the Foundation and what programs the Foundation provided to the First Nations people. The Trustees need to ensure that the money they paid to the FSIN for the Foundation is used for the purposes of the Foundation and that the Foundation is co-operating with government agencies. As a result, we are unable to determine if the money the Trustees paid to the FSIN for the Foundation was used for the purposes set out in the law.

Payments to the Association

Section 20(1) of the Act authorizes the Trustees to make payments for senior and youth programs. The Trustees paid $140,000 to the FSIN for the Association. However, the Trustees could not provide us with any information about the objectives of the Association and the nature of programs it provides to First Nation veterans. Nor could they provide written evidence that the money they gave the FSIN for the Association was used for the purposes of the Association. As a result, we are unable to determine if the money the Trustees paid to the FSIN for the Association was used for the purposes set out in the law.

Fund Administration

The Act states that the pay and the expenses of the Trustees and the necessary expenses of administering the Fund are a charge on and payable out of the Fund.

The Trustees paid the FSIN money for the administration of the Fund. We expected that the Trustees would have made an agreement with the FSIN setting out what administrative duties the Trustees required the FSIN to do and a process for reimbursing the FSIN for the expenses it incurred on the Trustees' behalf. The Trustees did not have a written agreement with the FSIN. Also, the Trustees did not have any evidence supporting payments to the FSIN for administration of the Fund. The Trustees did not have details of the nature of expenses incurred by the FSIN on behalf of the Trustees. As a result, we are unable to determine if the money the Trustees paid to the FSIN for administration complied with the law. Also, we do not know how much, if any, the Trustees received as pay and expenses from the Fund.

6. **We recommend that the Trustees of the First Nations Fund should establish rules and procedure to ensure recipient organizations only use the money received from the Trustees for the purposes described in *The Saskatchewan Gaming Corporation Act* and the Framework Agreement.**

In a letter dated May 3, 2001 to our Office, the Trustees told us:

> .... the Trustees (in their capacity as Chiefs) have had access to reports from the Foundation, Association, the FSIN itself, and other recipients of Trust money and therefore, have assured themselves that the proceeds of the Trust for these purposes were expanded in accordance with the purposes allowed under the Trust Indenture.
>
> The Trustees intend to take steps to ensure that the fee paid for administration of the trust by the FSIN is properly documented.

Certain transactions not permitted under the law

Earlier, we said we are unable to determine whether the Trustees complied with the laws governing the Fund's activities. However, during our work, we found certain transactions that are not permitted under section 20 (1) of *The Saskatchewan Gaming Corporation Act* (Act). Section 20(1) of the Act authorizes the Trustees to make payments out of the Fund for the purposes described in that section.

During the years ended March 31, 1998 and 1999, the Trustees made the following payments:

1998	
National Assembly travel subsidy payments to the First Nations	$ 138,000
1999	
Contribution to the FSIN Senate	$ 144,000

National Assembly travel subsidy payments to First Nations

In 1998, the Trustees paid $2,000 to each First Nation to subsidize the cost of travel to an Assembly of First Nations' general meeting. The Trustees paid $138,000 to the First Nations for the travel subsidies.

Section 20(1) of the Act does not permit such payments. Accordingly, these payments are without authority.

Contribution to the FSIN Senate

In 1999, the Trustees paid the FSIN $144,000 for a contribution to the FSIN Senate "to ensure the continuation of the senate's mandate." Section 20(1) of the Act does not authorize the Trustees to make this payment. Accordingly, this payment is without authority.

7. **We recommend that the Trustees of the First Nations Fund ensure that all payments comply with the law.**

In a letter dated May 3, 2001 to our Office, the Trustees told us that both of these payments are properly made in accordance with allowable payments.

Public Accountability - preparation of an annual report

To assess the performance of an organization that uses public money, the Legislative Assembly and the public need to know what the organization is all about, how it manages its key risks, what it has done, where it is now, and what it plans to do. They also need information about the organization's goals and objectives and how successful the organization has been in achieving those objectives.

Most public sector organizations publish annual reports. Those annual reports, although still needing improvement, have much of the information the Legislative Assembly and the public need to assess the organizations' performance. The organizations also provide a list of persons who received money from them and the amount each person received.

Public disclosure of who received money from agencies handing public money is important for three reasons. First, public disclosure serves to remind officials that they are spending money that is entrusted to them by the public. Second, public disclosure adds rigour to decision-making as it ensures that those who spend public money know that their use of that money will be public. Third, public disclosure ensures that the public knows who has received their money.

The Trustees of the Fund do not prepare an annual report. The Trustees have their annual audited financial statements tabled in the Legislative Assembly. However, financial statements alone do not provide all the information the public needs to assess the Fund's performance. Public support for organizations increases when they are fully transparent and provide performance information to the public and other stakeholders.

8. We recommend that the Trustees of the First Nations Fund prepare an annual report that includes:

- **the Fund's audited financial statements;**
- **the Fund's goals and objectives;**
- **the Fund's planned and actual performance;**
- **the Fund's risks and how the Trustees are managing those risks; and**
- **a list of persons and organizations that have received money from the Fund and the amounts each person and organization received.**

In a letter dated May 3, 2001 to our Office, the Trustees told us that they will take this recommendation under advisement and will give it full consideration.

Saskatchewan Archives Board

The Saskatchewan Archives Board (Board) is responsible for acquiring and preserving documents relating to the history of Saskatchewan. The Board also provides access to these documents to the public for research.

The Board had revenue of $2.8 million in 2000 and had an investment in tangible capital assets of $0.15 million at March 31, 2000. The Board's annual report includes its financial statements.

The following section sets out the status of a previously reported outstanding recommendation.

Status of previous recommendation on written contracts

In Chapter 6A of our 1999 Fall Report – Volume 2, we recommended that the Board should have written contracts with the University of Saskatchewan (U of S) and Saskatchewan Property Management Corporation (SPMC) to ensure both parties clearly understand and accept their responsibilities and enable monitoring of fulfilling the responsibilities. In October 1998, The Standing Committee on Public Accounts considered this matter and concurred with our recommendation.

The U of S provides the Board with office space as well as administrative and accounting services. SPMC rents office space to the Board. These arrangements are not set out in written contracts.

Saskatchewan Housing Corporation

The Saskatchewan Housing Corporation (Corporation) operates under the authority of *The Saskatchewan Housing Corporation Act* (Act). The Corporation facilitates and promotes the availability of adequate and affordable housing for all Saskatchewan residents.
The Corporation prepares consolidated financial statements to report on its activities and the financial activities of the 281 public housing authorities it controls.

Public housing authorities are corporations established by ministerial order under the Act. The Minister in charge has the legislative authority to appoint the members of each public housing authority. Also, the Act provides that public housing authorities must comply with policies established by the Corporation. These housing authorities provide community-based management for housing projects.

In 2000, the Corporation had revenues of $158.2 million including $67.3 in revenue from projects managed by the public housing authorities. The Corporation had expenditures of $160.2 million including operating expenditures of $75.8 million incurred by the public housing authorities. At December 31, 2000, the Corporation held assets of $298 million.

Tabling of financial statements

The Corporation does not table the audited financial statements for public housing authorities in the Legislative Assembly.

Currently, there are 281 public housing authorities. Every housing authority is subject to an audit of its financial operations. Twenty housing authorities are administered individually and prepare separate financial statements. The remaining authorities are included, for financial administration purposes, in eight housing territories. The territories maintain centralized accounting systems and prepare financial statements reporting the combined financial assets and liabilities and the combined results of operations for the housing authorities included in the territory.

Public accountability is strengthened when the Government tables the financial statements of all government organizations in the Legislative Assembly. When financial statements are tabled, they are made public and reviewed by a committee of the Assembly. If the Government tables the audited financial statements of the public housing authorities and housing territories, the Assembly and the public can review the performance of the housing authority territories.

In Chapter 4 of our 1991 Annual Report, we recommended that all government corporations table annual financial statements in the Legislative Assembly. In March 1993, the Standing Committee on Public Accounts (PAC) concurred with our recommendation.

In Chapter 6 of our 1996 Fall Report, we recommended that the Government provide the Legislative Assembly with the financial statements of all government agencies. In February 1998, PAC reviewed these recommendations and agreed that the spirit of accountability is an important fundamental of government but PAC would deal with agencies on an individual basis as raised in the Report of the Provincial Auditor.

9. **We continue to recommend that Saskatchewan Housing Corporation provide the Assembly with the audited financial statements of each of the 20 housing authorities and the eight housing authority territories.**

This page left blank intentionally.

Education

4

Executive summary 88

Part A – Education 89

Part B – Maintaining a relevant core curriculum 97

Executive summary

Under *The Education Act, 1995* (Act), the Department of Education is responsible for the overall quality of the Kindergarten to Grade 12 education system in Saskatchewan. Also under the Act, locally elected boards of education and *conseils scolaires* are responsible for the administration and management of school divisions.

In part A of this chapter, we set out findings for the March 31, 2000 audit of the Learning Resources Distribution Centre Revolving Fund (Fund), and the June 30, 2000 audit of the Plan of the Teachers' Superannuation Commission (Commission). We report that the Fund had reliable financial statements, complied with its authorities, and that the Department needs to improve the Fund's accounting for the value of its inventory. We also report that the Commission needs processes to manage its significant projects. Also, the Commission has not finalized its 1999-2000 financial statements. As a result, it has not tabled its 1999-2000 annual report on time and our audit of the financial statements is delayed.

In part B of this chapter, we set out the findings of our audit of the Department's curriculum maintenance processes. The core curriculum provides guidance on what students are to learn and when they are to learn it. Maintaining the relevance of the core curriculum helps ensure that young people are prepared for the workplace as well as for life-long learning. We report that the Department had adequate processes to maintain the relevance of the core curriculum, except we were unable to determine if the Department used information about resources when it maintained the core curriculum. We did not find sufficient evidence that the Department integrated information about resources into its curriculum maintenance processes.

Education

4A

Introduction **90**

Audit conclusions and findings **90**

Learning Resources Distribution Centre Revolving Fund **91**

Accounting for the value of inventory needs improvement 91

Teachers' Superannuation Commission **92**

Rules and procedures to manage significant projects needed 93

Timely annual report required 94

Overpayments to retired teachers 94

Introduction

The Department of Education is responsible for the overall quality of the Kindergarten to Grade 12 education system in Saskatchewan. Specific responsibilities of the Department include developing policies and curriculum, working with school divisions to acquire and use resources to deliver the curriculum, certifying and classifying teachers, and regulating independent schools and home-based education.

Chapter 3 of our 2000 Fall Report – Volume 3 contained our findings for the 2000 audits of the Department, the Correspondence School Revolving Fund, and the School Division Tax Loss Compensation Fund.

In this part, we set out our findings for the 2000 audits of two agencies for which the Department is responsible—the Learning Resources Distribution Centre Revolving Fund (Fund) and the Teachers' Superannuation Plan operated by the Teachers' Superannuation Commission (Commission).

Audit conclusions and findings

We have not completed our audit of the Commission's financial statements for the year ended June 30, 2000 because of the Commission's delays in finalizing its financial statements. We will report our audit conclusions and findings in a future report.

In our opinion:

- **the financial statements of the Fund for the year ended March 31, 2000 are reliable;**
- **the Department had adequate rules and procedures to safeguard and control the Fund's and the Commission's assets except for the matters reported in this part; and**
- **the Department complied with authorities governing the Fund's and the Commission's activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing except for the matters reported in this part with respect to the Commission.**

The following sections briefly describe the mandates of the Fund and Commission and set out our detailed findings for each.

Learning Resources Distribution Centre Revolving Fund

The Department of Education recommends Saskatchewan schools use specific learning resources including reference books, curriculum guides, related print, and non-print materials. The primary purpose of the Saskatchewan Learning Resources Distribution Centre Revolving Fund (Fund) is to purchase, sell, and distribute these publications and materials to school divisions. In addition, the Department, through the Fund, provides a staffed facility and related services to evaluate learning resources that support the curriculum.

For the year ended March 31,2000, the Fund had revenues of $3.2 million and held assets of $2.7 million at March 31, 2000.

Accounting for the value of inventory needs improvement

The Department needs to improve how it establishes and accounts for changes in the value of the Fund's inventory. At March 31, 2000, the Fund had inventory of $2.2 million representing 73% of its assets.

Organizations should routinely value their inventory to ensure that the amount recorded in their accounts represents the fair value of the asset. Fair value is the lower of cost and net realizable value. The Department's practice for valuing the Fund's inventory should consider the condition of the inventory (e.g., damage) and the resale value for certain stock (e.g., an assessment of the amount on hand compared to anticipated demand). The results of this practice should be reflected in adjustments, as necessary, to the Fund's records.

The Department appropriately considered the condition of the inventory (e.g., damage) and the resale value for certain inventory, such as books no longer suggested for purchase by the Department for use in schools or where the Department has not sold the books in the last two years. However, the Department's practice for valuing the Fund's inventory did not fully consider the impact of carrying too much inventory. It did not take into account the impact of anticipated low sales on the value of its inventory, e.g., the Department's practice does not take into account

situations where the quantity of a particular item in inventory exceeds anticipated demand at current prices. The amount charged can impact the volume of sales. Low sales impact the amount the Department can charge and still sell the inventory on hand.

During the audit, we brought these matters to the Department's attention. The Department corrected its records and financial statements to reflect an accurate value for inventory.

1. **We recommend that the Department improve its inventory valuation practices.**

Teachers' Superannuation Commission

The Teachers' Superannuation Commission (Commission) operates under the authority of *The Teachers Superannuation and Disability Benefits Act*. The Commission consists of seven members appointed by the Lieutenant Governor in Council. The Commission's primary roles are to:

- provide lifetime retirement and related benefits to teachers; and
- assist the Government of Saskatchewan in its responsibility for ensuring that there is sufficient money in the Teachers' Superannuation Fund to pay all allowances and other amounts out of the Teachers' Superannuation Fund as they become due and payable.

The Commission manages the Teachers' Superannuation Plan (Plan). The Plan consists of the Teachers' Superannuation Fund, a defined benefit pension plan, and the Voluntary Contributions Fund.

The 1999-2000 financial information is not available since the Commission has not finalized its 1999-2000 financial statements. In 1998-99, the Plan received contributions of $20 million from teachers and $87 million from the Minister of Finance. At June 30, 1999, the Plan held assets of $1.8 billion. It had liabilities of $3.6 billion.

Rules and procedures to manage significant projects needed

The Commission needs rules and procedures to manage significant projects. This would include: tendering and awarding contracts, managing the deliverables[1], scheduling of project components, and monitoring the completion of the project. Such rules and procedures reduce the risk that a project may not serve the needs of the Commission and project deliverables may not be timely.

For example, an actuarial valuation is one of the significant projects of the Commission. A valuation is needed to discharge the Commission's responsibilities. The Commission needs an actuarial valuation to prepare its financial statements. Its financial statements are necessary to help discharge its stewardship responsibilities to report to the Legislative Assembly on the Plan's financial performance.

The Commission hired an actuary to work on the Plan's pension liabilities without a written agreement. A written agreement with the actuary is necessary for good project management. The lack of a written agreement with the actuary contributed to significant delays in completing an actuarial valuation as at June 30, 1999. The Commission received the final actuarial valuation for the year ended June 30, 1999 in April 2001. As a result, the Commission has not yet completed its financial statements for the year ended June 30, 2000.

2. **We recommend that the Commission establish written rules and procedures for managing its significant projects including:**

   - **tendering and awarding of contracts;**
   - **describing the proposed project deliverables and the scheduling for those deliverables;**

[1] Any measurable, tangible, verifiable outcome, result, or item that must be produced to complete a project.

- **defining the responsibilities of the project contractor(s) and management; and**

- **having written agreements setting out agreed-upon terms of the project.**

Timely annual report required

The Tabling of Documents Act, 1991 requires the Commission to table its 1999-2000 annual report in the Assembly within 180 days of its year end. The annual report must contain the Plan's financial statements. The Commission has not completed its 1999-2000 financial statements. Accordingly, the Commission has not complied with *The Tabling of Documents Act, 1991*.

3. **We recommend that the Commission ensure it provides its annual report to the Assembly by the date required by law.**

Overpayments to retired teachers

In 1997, the Commission became aware that some school boards incorrectly reported days taught by retired teachers receiving a pension.

In our 1999 Fall Report – Volume 2 and 2000 Spring Report, we stated the Commission had requested that all school boards provide new information about the number of days that each retired teacher taught during the past seven years. In the past, some school boards had incorrectly reported the number of days retired teachers taught. *The Teachers Superannuation and Disability Benefits Act* (Act) requires that retired teachers receiving a pension who teach more than 60 days in a year (reduced from 120 days after the 1998-99 fiscal year) receive a reduced pension.

The Commission asked school boards to provide revised information about retired teachers who taught. The Commission received the requested information from all school boards. The Commission found that the information provided earlier by some school boards was incorrect. The Commission also noted several inconsistencies in the revised information received.

The Commission relies on information it receives from school boards about the number of days retired teachers taught in a year. The Commission does not know if the information it receives from the school boards is accurate. As a result, the Commission cannot ensure the pensions it pays to the retired teachers are in accordance with the Act.

In our 2000 Spring Report, we recommended that the Teachers' Superannuation Commission establish rules and procedures to independently verify information it receives from school boards.

In March 2001, the Standing Committee on Public Accounts (PAC) considered this matter. The Commission's management advised PAC that it is not cost effective to establish rules and procedures to ensure compliance with this provision of *The Teachers' Superannuation and Disability Benefits Act*. Management also advised PAC that once people are entitled to a pension, that it represented deferred income, and it is questionable whether it is proper to penalize somebody for returning to teach. Management also advised PAC that there is currently a shortage of skilled teachers in some areas of the province where retired teachers live. PAC did not concur with our recommendation.

As a result of the discussion at PAC, the Commission may want to consider whether this law is still necessary. However, if the laws are not changed, the Commission is responsible to ensure it has a system to comply with the law.

We continue to recommend that the Teachers' Superannuation Commission establish rules and procedures to ensure that the pensions it pays are in accordance with *The Teachers' Superannuation and Disability Benefits Act*. Alternatively, if the policy is no longer appropriate the Commission should seek changes to the law. We report this matter in Chapter 8 (Pensions).

This page left blank intentionally.

Maintaining a relevant core curriculum

4B

Introduction **99**

Maintaining a relevant core curriculum 99

Audit objective and criteria **101**

Audit conclusion and recommendation **101**

Key findings (by criteria) **102**

Determine essential learning outcomes for required areas of study 102

Determine gaps in capability of education system to achieve essential learning outcomes 103

Revitalize the required areas of study to achieve essential learning outcomes 105

Manage risks associated 106

Clearly communicate expectations 107

Detailed audit criteria **109**

Glossary **110**

Selected references **111**

This page left blank intentionally.

Introduction

In 1998, our Office worked with the Department of Education to identify areas where ineffective action could limit the Department's ability to successfully carry out its mandate. One of these risk areas relates to the ability of the Department to maintain a relevant provincial curriculum that reflects the knowledge and skills that people need.

The Education Act, 1995 makes the Department responsible for the overall quality of the Kindergarten to Grade 12 (K to 12) education system in Saskatchewan. The Department, in consultation with its key stakeholders, develops and maintains the provincial curriculum. It then works with teachers, administrators, and locally-elected school boards to deliver the curriculum.

In this part, we report our conclusion, recommendation, and key findings arising from our audit of the Department of Education's processes to maintain the relevance of the required areas of study within the K to 12 core curriculum.

Maintaining a relevant core curriculum

The public expects the education system to ensure that young people are prepared for the workplace as well as for life-long learning. The public also expects the education system to teach students to become informed citizens who participate in society.

The provincial core curriculum provides guidance on what students are to learn and when they are to learn it. The core curriculum includes various components and initiatives intended to support all students in their achievement of the Goals of Education.

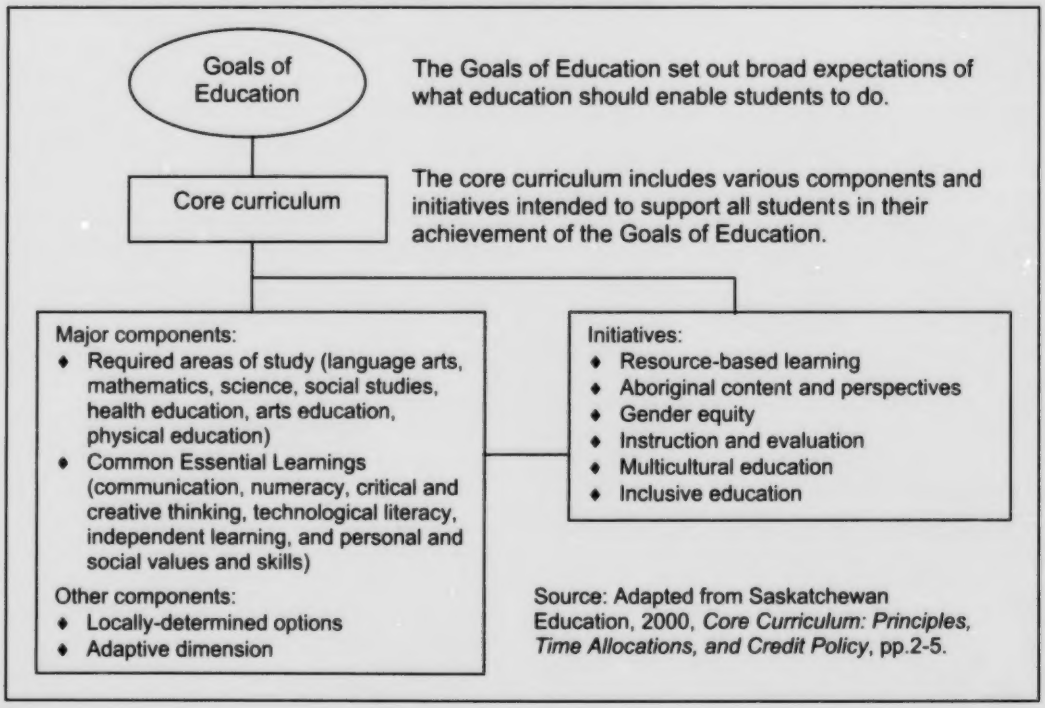
All provincially-funded schools must use the provincial core curriculum whether they are public, separate, francophone, or historical independent schools. Some private schools and some home-based educators also use the provincial core curriculum to guide their educational practice. In addition, many First Nations' band schools use the core curriculum to ensure that students will meet the requirements for graduation in Saskatchewan.

Maintaining the core curriculum is critical to students' future success. Maintenance includes supporting, monitoring, and revitalizing the core curriculum. Maintaining the core curriculum helps ensure it remains relevant and is capable of accommodating change. Discoveries within a subject area can make existing ideas or materials obsolete. Also, educators (i.e., teachers and other educational professionals) may develop an improved understanding of how subjects are learned and should be taught.

Societal changes can also necessitate changes in the core curriculum. In Saskatchewan, the number of agricultural and industrial jobs continues to decline, while service sector jobs increase. The population continues to shift from rural to urban areas. Saskatchewan's young Aboriginal population is growing rapidly. These demographic changes can influence the public's expectations for the core curriculum.

The Department has set out a framework that guides how it develops and maintains the core curriculum. The framework is described in a number of Department documents. These are available on the Internet at http://www.sasked.gov.sk.ca/docs/evergrn.html. Exhibit 1 outlines this framework.

Exhibit 1 – Framework for maintaining the core curriculum


Goals of Education
The Goals of Education set out broad expectations of what education should enable students to do.
Core curriculum
The core curriculum includes various components and initiatives intended to support all students in their achievement of the Goals of Education.
Major components:
♦ Required areas of study (language arts, mathematics, science, social studies, health education, arts education, physical education)
♦ Common Essential Learnings (communication, numeracy, critical and creative thinking, technological literacy, independent learning, and personal and social values and skills)
Other components:
♦ Locally-determined options
♦ Adaptive dimension
Initiatives:
♦ Resource-based learning
♦ Aboriginal content and perspectives
♦ Gender equity
♦ Instruction and evaluation
♦ Multicultural education
♦ Inclusive education
Source: Adapted from Saskatchewan Education, 2000, Core Curriculum: Principles, Time Allocations, and Credit Policy, pp.2-5.

Audit objective and criteria

The objective of our audit was to assess whether the Department has adequate processes to maintain the relevance of the required areas of study within the K to 12 core curriculum. We examined processes that the Department used to maintain the core curriculum during the time period April 1999 to January 2001.

This audit focused on the Department's processes, rather than results or outputs. We did not assess the content of the core curriculum or examine the extent to which schools use the core curriculum. Nor did we design the audit to determine whether the Department's processes were adequate for all of its purposes.

To carry out the audit, we examined the Department's processes as indicated in policies, directives, manuals, position descriptions, plans, decision documents, minutes, reports, and other tools for communication. Also, we interviewed key officials of the Department and key stakeholder representatives.

During all phases of this audit, we followed *The Standards for Assurance Engagements* of The Canadian Institute of Chartered Accountants (CICA). The CICA established these standards to guide the work of auditors.

To determine whether the Department's processes were adequate, we used the criteria listed at the end of this part. We based our criteria on international literature, the reports of other auditors, and the advice of a recognized expert in this field. The Department agreed with these criteria. We also described the criteria for this audit in Chapter 3 of our 2000 Fall Report – Volume 3, pages 175-179.

Our audit criteria are interrelated and are not intended to describe a linear process. For example, we expected the Department to communicate with key stakeholders throughout all of its curriculum maintenance processes.

Audit conclusion and recommendation

We found the Department of Education had adequate processes from April 1999 to January 2001 to maintain the relevance of the required

areas of study within the K to 12 core curriculum, except we were unable to determine if the Department used information about resources when it maintained the core curriculum.

We expected the Department to have processes to assess the impact of changes to curriculum on resources needed to make the transition to the revised curriculum as well as to deliver the revised curriculum on an ongoing basis. We did not find sufficient evidence that the Department integrated information about resources into its curriculum maintenance processes.

1. **We recommend that the Department improve how it documents its use of information about resources in its curriculum maintenance processes.**

Key findings (by criteria)

Our audit found evidence of strong performance in many of the areas we examined. In this section, we set out our expectations (in italics) for each of the criteria listed at the end of this part, together with our key findings.

Determine essential learning outcomes for required areas of study

To maintain the relevance of its core curriculum, we expected the Department to set out what knowledge and skills students should develop through their education (i.e., essential learning outcomes). We expected the Department to align these outcomes with the Goals of Education and its related principles, as well as with long-term trends and education agreements (e.g., agreements with other provinces to collaborate in curriculum development). The Department should confirm with its key stakeholders that the outcomes it promotes for its students are relevant.

The Department has adequate processes to determine essential learning outcomes (outcomes) for each required area of study.

We found that Department staff are knowledgeable about the Goals of Education and its related principles. The Department's culture supports the Goals of Education and its staff regard the Goals of Education as relevant to their work in maintaining the core curriculum.

The Department designs the curriculum for each required area of study so that it is aligned with the Goals of Education and its related principles. For example, the Department ensures that outcomes for mathematics reflect not only numeracy, but also the other common essential learnings such as communication and technological literacy.

The Department also aligns outcomes with long-term trends and with education agreements. The Department does this by expecting its staff to maintain familiarity with trends and with education agreements.

We found that the Department's processes include confirming the relevance of outcomes with key stakeholders. The Department invites educators to participate in committees that review the draft curriculum for each required area of study. These committees offer extensive feedback and suggestions for changes. The Department also uses field tests to gather advice on outcomes from educators. Educators have a professional responsibility to remain current in the profession.

The Department primarily confirms outcomes with educators. Other key stakeholders are less involved, but do play a role. For example, during evaluations of the core curriculum, committees of key stakeholders set specific expectations based on outcomes. The results of these evaluations influence subsequent curriculum maintenance by the Department.

Determine gaps in capability of education system to achieve essential learning outcomes

We expected the Department of Education to assess the results of evaluations and use this information to identify gaps in the ability of the education system to help students achieve essential learning outcomes. We expected the Department to determine the resources that the education system will require and consider the resources that the system could potentially access. The Department should set priorities to address gaps. We expected the Department to confirm areas for curriculum change with its key stakeholders.

The Department has adequate processes to identify gaps in the capability of the education system to achieve essential learning outcomes (outcomes), except that we did not find sufficient evidence that the

Department used information about resources when it maintained the core curriculum. This information is important to ensure the education system can afford to deliver the core curriculum expected.

The Department evaluates the use of the core curriculum and the extent of student learning. The results of these evaluations guide the timing and the nature of the Department's maintenance activities.

The education system requires resources to deliver the core curriculum. These resources include the following components: teacher-student contact, teacher development, teacher supports (e.g., support staff), facilities/space, equipment, and resource materials. We expected the Department to have processes to assess the impact of changes to curriculum on resources needed to make the transition to the revised curriculum as well as to deliver the revised curriculum on an ongoing basis.

The Department has processes in place to gather information about the resources needed to make the transition to the revised curriculum, as well as to deliver the revised curriculum on a continuing basis. The Department also has processes to gather information about whether the education system will be able to access sufficient resources. However, the Department, in its curriculum maintenance activities, has limited documentation of the analysis and use of this information. As a result, we did not find sufficient evidence that the Department integrated this information about resources into its curriculum maintenance processes.

We found that the Department has adequate processes to identify priorities for curriculum changes. The Department sets priorities according to: when the curriculum was originally developed, the length of time since last maintenance, feedback from educators, results from national and provincial assessments, input the Department solicits from researchers in various disciplines, and input from Department staff who are in close contact with teachers and school boards.

The Department confirms the areas slated for curriculum change with its key stakeholders. The Department meets with key stakeholders to consult about priorities. The Department also advises stakeholders of priorities through announcements by the Minister and senior Department officials,

publication of plans on the Department's website, and in bulletins to educators.

Revitalize the required areas of study to achieve essential learning outcomes

To maintain the relevance of the core curriculum, we expected the Department to guide both the quality and timing of maintenance activities. The Department's processes should include steps to estimate the resources required to implement necessary changes to the core curriculum. We expected the Department to field test the revised curriculum for each required area of study before implementation. We expected the Department to follow-up by assessing implementation of the revised curriculum.

The Department has adequate processes to revitalize the required areas of study in the core curriculum to achieve essential learning outcomes (outcomes).

The Department uses a variety of mechanisms to guide the quality of curriculum maintenance. The Department has processes to attract qualified staff to maintain the core curriculum. It provides the staff with professional development to assist them in developing and maintaining expertise.

The Department uses committees to review the revised curriculum for each required area of study. The Department draws on individuals from within the Department and invites key stakeholders from outside the Department to participate in these committees. Senior Department staff participate in these committees and also separately review each revised curriculum. The Department has created and uses policies and manuals to assist its maintenance work.

The Department guides the timing of curriculum maintenance by setting and keeping an up-to-date schedule for maintenance. This schedule is provided to a committee of key stakeholders, and is provided to the public in the Department's annual reports and on the Department's website. It is also provided to educators in a bulletin.

The Department has processes to estimate the resources required to make necessary changes to the curriculum for each required area of study (e.g., department staff resources). The Department also estimates the resources needed to educate teachers about the changes (e.g., training days). We found that close communication with teachers assists the Department in remaining sensitive to resource demands.

The Department told us that it designs the curriculum in a way to provide flexibility in the curriculum for each required area of study. The Department expects the school boards to adjust the delivery of the curriculum to address the needs of the students within each classroom. This flexibility allows school boards some options when determining how they will deliver the curriculum (e.g., extent of use of specialized teachers, extent of use of videos, computer programs, or handouts). These choices impact the resources necessary to deliver the curriculum.

The Department has processes to field test the draft curriculum for almost every required area of study prior to final approval. Input from field tests is used to make further changes.

As noted earlier, the Department carries out formal curriculum evaluations. The results of these evaluations are used to maintain the core curriculum. As well, the Department assigns staff to maintain close contact with teachers and school boards. These staff gather information on implementation for the Department.

Manage risks associated

We expected the Department to identify risks that could interfere with its ability to maintain the core curriculum. We expected the Department to confirm risks with key stakeholders and to work with stakeholders to identify options for managing risks. The Department should take steps to manage significant risks to reduce them to an acceptable level.

The Department has adequate processes to manage risks associated with maintaining the core curriculum.

The Department's strategic plan (*Department of Education Strategic Plan, 2000-01 to 2003-04)* specifically identifies risks and actions related to curriculum development and maintenance. The Department updates its

understanding of risks surrounding curriculum by consulting with its key stakeholders and by assessing the results of its curriculum evaluations.

The Department also uses committees involving key stakeholders to discuss strategies for managing curriculum-related risks. In some cases, committees identify specific options for managing risks.

We found that Department staff are empowered to take action to manage curriculum-related risks. For example, the Department's move to an "evergreen" curriculum (i.e., a curriculum that is continuously evolving) is an approach to manage the risk that the core curriculum will not be current. Another example is the Department's use of consultation processes (primarily with educators) to manage the risk that the curriculum for a required area of study will not be appropriate for the students for whom it is intended.

Clearly communicate expectations

We expected the Department to provide stakeholders with timely notice of key decisions. It should explain to stakeholders the changes made to the core curriculum and the implications of those changes. The Department should use communication processes to promote acceptance of the updated core curriculum and to foster its implementation.

The Department clearly communicates its expectations about the core curriculum to stakeholders.

We found the Department uses a variety of methods to provide stakeholders with notice of key decisions regarding curriculum maintenance. The Department uses verbal communication, including meetings with stakeholders, presentations, workshops, and continuing education for educators. The Department also uses print and electronic methods of communication, including policy documents, bulletins for teachers and administrators, an extensive website, and support materials for continuing education.

The Department uses these methods of communication to explain the changes that it makes to curriculum and the implications of those changes. Participants on committees that involve stakeholders relay information to their own organizations or communities. Bulletins directed

at teachers and administrators explain changes and how they affect stakeholders. Materials created to support continuing education by the Department also explain what is expected in each curriculum.

The above practices promote the acceptance and implementation of changes to the core curriculum. Other Department processes also promote acceptance and implementation. For example, delivering the curriculum electronically involves less cost for school boards. The Department has also developed website discussion areas to promote interaction among teachers. The Department also typically invites the teachers involved in field tests to become teacher leaders. These teacher leaders conduct workshops and act as mentors for other teachers throughout the province.

Detailed audit criteria

Criteria to maintain the relevance of required areas of study within the K to 12 core curriculum

The Department of Education should have processes to:

1. Determine essential learning outcomes for required areas of study
   - align expected student learning outcomes with Goals of Education and related principles
   - align expected student learning outcomes with long-term trends and current education agreements
   - confirm relevance of essential learning outcomes with key stakeholders
2. Determine gaps in capability of education system to achieve essential learning outcomes
   - assess results of evaluations and follow-up work
   - determine access to resources of education system
   - identify priorities for change
   - confirm areas for curriculum change
3. Revitalize the required areas of study in the core curriculum to achieve essential learning outcomes
   - guide the quality of curriculum maintenance
   - guide the timing of curriculum maintenance
   - estimate the resources required to implement necessary changes
   - field test the updated curriculum before implementation
   - follow-up to assess implementation of updated curriculum
4. Manage risks associated with maintaining core curriculum
   - update understanding of significant risks
   - work with stakeholders to identify options for managing risks
   - take action to manage significant risks to an acceptable level
5. Clearly communicate expectations about core curriculum to stakeholders
   - provide stakeholders with timely notice of key decisions
   - explain to stakeholders the changes made and their impact
   - promote acceptance and implementation of updated core curriculum

Glossary

Common essential learnings – six interrelated areas containing knowledge, skills, attitudes, and abilities important for learning in all subjects. The areas are: communication, numeracy, critical and creative thinking, technological literacy, independent learning, and personal and social values and skills.
Source: Saskatchewan Education, 2000, *Core Curriculum: Principles, Time Allocations, and Credit Policy*, p.3.

Core curriculum – the components and initiatives that are designed to support all students in their achievement of the Goals of Education.
Source: Saskatchewan Education, 1999, *Actualization of Core Curriculum*, p.2.

Curriculum maintenance – supporting, monitoring and revitalizing the existing courses of study and related materials.
Source: Saskatchewan Education, 1999, *Actualization of Core Curriculum*, p.1.

Education system – the organizations and resources involved in the development and operation of elementary and secondary education. This includes the Department of Education, key stakeholders and learning resource suppliers (e.g., textbook publishers).

Essential learning outcomes – the knowledge and skills that the Department intends students to develop through their education.

Goals of Education – include expectations related to development of basic academic skills, personal and spiritual growth, interpersonal skills, decision-making, life-long learning, and being a responsible member of society.
Source: Saskatchewan Education, 1984, *Directions: The Final Report*, pp. 26-27.

Key stakeholders – students, parents, teachers, school boards and the community.

Required areas of study – seven required areas, each with unique knowledge, skills and values essential for all students. The seven required areas of study are: language arts, mathematics, science, social studies, health education, arts education and physical education.
Source: Saskatchewan Education, 2000, *Core Curriculum: Principles, Time Allocations, and Credit Policy*, p.3.

Selected references

Canada. Council of Ministers. (October 1997). *CMEC's Pan-Canadian Science Project*. http://www.cmec.ca/science/.

Centre for Educational Research and Innovation. (1996). *Education at a glance: Analysis*. Paris: Organization for Economic Co-operation and Development.

Cheek, D.W. & Kohut, S. (Ed.). (1992). *Social studies curriculum resource handbook: A practical guide for K-12 social studies curriculum*. Millwood, New York: Kraus International.

Fullan, M.G. (1998). Education reform: Are we on the right track? *Education Canada*, 38(3), pp. 4-7.

Fullan, M.G. & Stiegelbauer, S. (1991). *The new meaning of educational change*. New York: Columbia University Teachers College.

Guthrie, J.W. (1996). Evolving political economies and the implications for educational evaluation. In *Evaluating and reforming education systems*. Paris: Organization for Economic Co-operation and Development.

Hanushek, E.A., Kain, J.F. & Rivkin, S.G. (1998). *Teachers, schools and academic achievement*. Cambridge: National Bureau of Economic Research.

Kallen, D. (1996). New educational paradigms and new education policies. In *Evaluating and reforming education systems*. Paris: Organization for Economic Co-operation and Development.

Minister's Advisory Committee on Curriculum and Instruction Review. (1984). *Directions: Final report*. Regina: Department of Education.

Mortimore, P., Sammons, P., Stoll, L., Lewis, D. & Ecob, R. (1988). Understanding effectiveness. In *School Matters*. University of California Press. pp. 248-262.

Postman, N. (1995). The Law of Diversity. Chapter 8 in *The end of education: Redefining the value of school*. New York: Alfred A. Knopf, Inc.

Saskatchewan Education. (2000). *Core curriculum: Principles, time allocations, and credit policy*. Regina: Author.

Saskatchewan Education. (1999). *Actualization of core curriculum*. Regina: Author.

Saskatchewan Education. (1997). *Core curriculum: An information bulletin for administrators*. Regina: Author.

Saskatchewan Education. (1994). *Curriculum evaluation in Saskatchewan*. Regina: Author.

Post-Secondary Education and Skills Training

5

Executive summary **114**

Introduction **115**

Audit conclusions and findings **115**

Carlton Trail Regional College 116

Performance measurement and reporting needs improving 116

Written rules and procedures required 116

Financial reporting needs improving 118

Non-compliance with *The Regional Colleges Act* 118

SIAST 119

Annual report improving 119

Executive summary

This chapter sets out the results of our audits for the year ended June 30, 2000 of the Apprenticeship and Trade Certification Commission and of the Carlton Trail Regional College. Both entities had reliable financial statements. The Commission complied with the authorities we examined. For the College, the chapter reports on four areas where the College needs to make improvements—measuring and reporting on its performance, developing rules and procedures to ensure it has accurate financial information, reporting on its financial activities throughout the year, and submitting its budget to the Minister on time.

The chapter also notes that *Saskatchewan Institute of Applied Science and Technology's 2000 Annual Report* has improved significantly from its prior reports by providing better information to help assess its performance.

Introduction

The Department of Post-Secondary Education and Skills Training is responsible for developing and implementing policies for post-secondary education and skills training. This responsibility includes: overseeing operations of the institutions that deliver post-secondary education to ensure they meet public policy objectives and administering and regulating training and apprenticeship programs.

This chapter sets out the results of our audits for the year ended June 30, 2000 of two Crown agencies for which the Department is responsible—the Saskatchewan Apprenticeship and Trade Certification Commission and the Carleton Trail Regional College. It also sets out the results of our review of Saskatchewan Institute of Applied Science and Technology's (SIAST) Annual Report for the year ended June 30, 2000.

Chapter 5 of our 2000 Fall Report – Volume 3 contained the results of our other 2000 audits of the Department, of its various Crown agencies, and of its special purpose funds. This includes Saskatchewan Communications Network Corporation, SIAST, Northlands College, South East Regional College, Student Aid Fund, and Training Completions Fund.

Audit conclusions and findings

In our opinion:

- **The financial statements for the year ended June 30, 2000 are reliable for the Saskatchewan Apprenticeship and Trade Certification Commission and for the Carlton Trail Regional College.**

- **The Saskatchewan Apprenticeship and Trade Certification and the Carlton Trail Regional College complied with authorities governing their activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing except for the matter reported in this chapter related to the Carlton Trail Regional College.**

- **The Carlton Trail Regional College had adequate rules and procedures to safeguard and control its assets except for the matters reported in this chapter.**

The following sections set out our detailed findings for the Carlton Trail Regional College and the results of our review of SIAST's annual report for the year ended June 30, 2000.

Carlton Trail Regional College

Chapter 4 of our 2000 Spring Report included four recommendations related to Carlton Trail Regional College (College). This section reports on the progress the College has made on each of these four recommendations. The Standing Committee on Public Accounts (PAC) concurred with our first recommendation set out below in February 1998. PAC has not yet discussed the remaining three recommendations.

Performance measurement and reporting needs improving

We continue to recommend that the College improve the reports used by its board of directors to monitor the College's performance.

Chapter 1 of our 2000 Spring Report set out three principles for performance reporting and seven additional attributes. See Exhibit 1 at the end of this chapter for further details. Good performance reporting depends upon on good planning.

During 1999-2000, the College continued its work on identifying key performance measures and on developing systems to track information on them. These steps will help the College improve the information that it can provide to its Board, the Department, the Legislative Assembly, and the public that will help them judge its performance.

Written rules and procedures required

The College has not updated its written policies and procedures to ensure it has accurate financial information.

Proper written rules and procedures reduce the risk of errors, of fraud, of breakdowns in control, and of unauthorized transactions. Complete, written rules and procedures help assure the College that it has accurate financial information for decision-making. In addition, they help ensure procedures are done consistently, particularly when staff is new or when staff change.

During 1999-2000, the College examined its capital assets to verify their existence. It updated its detailed listing of capital assets accordingly. However for the reconciliations prepared in the year, management did not independently review and approve them to ensure their accuracy and completeness. Also, the College did not ensure all entries recorded in its accounts were properly authorized and accurate. It did not:

- always correctly reconcile the amount of cash recorded in its accounting records to the bank's records;
- reconcile the amount of capital assets recorded in its accounting records to its detailed listing of capital assets; and
- regularly agree the amount owed to the College recorded in its accounting records to the detailed records of amounts owed to the College.

The College needs to carry out these procedures to ensure its financial records are complete and accurate.

1. **We continue to recommend that management at Carlton Trail Regional College prepare written rules and procedures to ensure:**
   - **the College properly authorizes and records transactions; and**
   - **its senior management reviews and approves key reconciliations of accounting records.**

Management told us that the College started a complete review of policy and procedures in June 2000 to address the above concerns. It told us that it has adopted procedures for reconciling its bank accounts.

Financial reporting needs improving

Boards need timely and useful information to carry out their stewardship responsibilities throughout the year.

Useful financial information is prepared in accordance with generally accepted accounting principles. The financial information would include: what the College owns, what it owes and the balances in its various funds, comparison of actual results for the period with those planned, and explanation of differences between planned and actual results.

The College's interim financial reports have not improved from the prior year. The interim financial reports did not show what it owed and what it owned, or include an income statement in the same format as the external financial statements, or compare budget to actual and explain variances.

2. **We continue to recommend that the College use generally accepted accounting principles to prepare its financial reports throughout the year.**

Non-compliance with *The Regional Colleges Act*

Under *The Regional Colleges Act*, the College was required to submit its 1999-2000 budget to the Minister of Post-Secondary Education and Skills Training by May 31, 1999. It submitted its budget on July 14, 1999. The College was also late in submitting its 2000-2001 budget. The Minister received the 2000-2001 budget on June 29, 2000.

3. **We continue to recommend that the College submit its budget to the Minister of Post-Secondary Education and Skills Training by the date required by law.**

SIAST

Annual report improving

We reviewed SIAST's annual report for the year ended June 30, 2000 to determine if it provides good information to assess its performance.

Chapter 1 of our 2000 Spring Report set out the principles for performance reporting. These principles provide guidance on the content of good annual reports to help ensure they provide good information on the entity's performance. We assessed SIAST's 2000 annual report against these principles. See Exhibit 1.

We found that SIAST's 2000 annual report improved significantly from its prior annual reports. It provides information on what SIAST tried to achieve. It clearly sets out SIAST's key financial performance targets and explains the differences between SIAST's planned and actual results for these targets. But like most public sector organizations, SIAST's 2000 annual report needs to provide clearer information on its other key performance targets and measures used to measure the achievement of its objectives (operational performance targets and measures). It needs to compare SIAST's actual results against these measures.

SIAST told us that it is actively developing its key operational performance targets and measures in conjunction with the development of the Department of Post-Secondary Education and Skills Training's sector plan. It also told us that it plans to report on these once they are determined and approved, and it has gathered appropriate information on them.

We note SIAST's 2000 Annual Report was made public in December 2000. In 2000, the time requirements to table reports changed in *The Tabling of Documents Act, 1991*. The changes require SIAST to prepare its 2001 annual report by September 27th. SIAST has committed to meet this deadline for its 2001 annual report.

We look forward to continued improvements to SIAST's annual report.

Exhibit 1 – Principles for performance reporting

1. **Performance information should be relevant**
   - it relates to the stated objectives of the agency and its strategies and programs, and enables an assessment of the extent to which the objectives are being achieved;
   - it is reported in sufficient time to influence decisions;
   - it measures something that is significant in that it is used in forming assessments and judgements; and
   - it is aggregated at an appropriate and meaningful level.

2. **Performance information should be reliable**
   - it is neutral and fair, in that judgements made on performance by users are not influenced by the way information is provided;
   - it is reasonably accurate and complete—that is, free from material error or omissions; and
   - it is capable of being replicated or verified by independent and knowledgeable observers.

3. **Performance information should be understandable**
   - it provides the minimum level of detail needed to enable users to gain a proper understanding of the activities and performance;
   - it focuses on a small set of key performance measures;
   - it explains the context as to what happened and why it happened, to enable users to judge whether performance is improving or declining; and
   - it includes comparative information from similar agencies and information regarding best practice, to provide users with a frame of reference for assessing performance.

Additional attributes: Performance reports should:
- include an assessment of the effectiveness of the control established to help achieve objectives;
- be focused on results and achievements;
- report in the context of expectations (plans);
- be complete and unbiased (i.e., cover both successes and shortcomings);
- attribute achievements to activities (how activities contribute to results);
- relate costs to results; and
- explain strategies, risks and context.

Source: Adapted from *Principles for Building a Public Performance Report – A discussion paper from Canada's legislative audit community*, 1999, CCAF, Ottawa.

Agriculture and Food

6

Executive summary 122

Introduction 123

Our audit conclusions and findings 123

Importance of financial statements 124

Agri-Food Innovation Fund 125

Reliability of the financial statements 125

Saskatchewan Agricultural Stabilization Fund 127

Reliability of the financial statements 128

Milk Control Board 130

Written policies and procedures needed 130

Executive summary

Facing increasing demands on limited government resources, Members of the Legislative Assembly (MLAs) and the public need useful information to understand and assess the performance of government organizations. Annual financial statements demonstrate accountability for resources and provide useful performance information.

If government organizations do not follow rigorous accounting rules, there is a risk that their annual financial statements may misstate their annual performance. Incorrect financial statements increase the risk that MLAs and the public will form incorrect conclusions about the organization's financial performance.

The Department prepared and made public incorrect financial statements for two of its special purpose funds (i.e., the Agri-Food Innovation Fund and the Saskatchewan Agricultural Stabilization Fund). The errors in the financial statements result from the Department incorrectly recording advances received from the Saskatchewan General Revenue Fund. Both of these special purpose funds receive advances from the Governments of Canada and Saskatchewan to pay program costs.

The Department incorrectly records advances received from Saskatchewan as revenue even though the Department has not yet incurred program costs. In our opinion, this accounting does not follow the recommendations of The Canadian Institute of Chartered Accountants (CICA) and is inconsistent with the way the Department accounts for advances received from Canada.

We think the Department should record the advances received from Saskatchewan as a liability of the funds until the Department incurs related program costs.

Also, we continue to recommend that the Milk Control Board should develop written policies and procedures for preparing accurate financial information.

Introduction

The Department of Agriculture and Food's mandate is to foster, in partnership with the industry, a commercially viable, self-sufficient, and sustainable Saskatchewan agricultural sector. In carrying out its mandate, the Department administers and is responsible for several special purpose funds and Crown agencies.

Our audit conclusions and findings

This chapter contains our audit conclusions and findings for:

- the following special purpose funds and Crown agencies for the year ended March 31, 2000, which were not completed in time to include in our 2000 Fall Report – Volume 3:
  - Agri-Food Equity Fund,
  - Agri-Food Innovation Fund,
  - Beef Development Board,
  - Horned Cattle Fund, and
  - Saskatchewan Agricultural Stabilization Fund;
- Saskatchewan Canola Development Commission for the year ended July 31, 2000;
- Sask Pork for the year ended December 31, 2000; and
- Milk Control Board for the year ended December 31, 2000

Our Office worked with the following appointed auditors:

- Deloitte & Touche
  - Sask Pork; and
- KPMG
  - Saskatchewan Agricultural Stabilization Fund.

We used the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (to view a copy of this report, see our website at http://www.auditor.sk.ca/rrd.html). Our Office and the appointed auditors formed the opinions set out below.

In our opinion, for the audits we have completed:

- **the financial statements of the Department's special purpose funds and Crown agencies are reliable, except for the Agri-Food Innovation Fund and the Saskatchewan Agricultural Stabilization Fund. In KPMG's opinion, the Saskatchewan Agricultural Stabilization Fund's financial statements are reliable.**

- **the Department and its special purpose funds and Crown agencies had adequate rules and procedures to safeguard and control their assets, except for the Milk Control Board.**

- **the Department and its special purpose funds and Crown agencies complied with the authorities governing their activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing.**

We did not rely on KPMG's opinion on the Saskatchewan Agricultural Stabilization Fund's financial statements. *The Provincial Auditor Act* requires us to do additional work when we are unable to rely on the report of an appointed auditor. Our additional work consisted of reviewing the agreements between the Government of Canada (Canada) and the Government of Saskatchewan (Saskatchewan) and discussion with the Department's management.

Importance of financial statements

The Government faces increasing demands on its limited resources. Members of the Legislative Assembly (MLAs) and the public need useful information to understand and assess the performance of government organizations. Financial statements are a key way for an organization to demonstrate its accountability for the public resources entrusted to it, and to provide information useful in evaluating its annual performance. To understand and assess performance, MLAs and the public need government organizations to follow rigorous accounting rules that report their performance in a consistent and comparable manner.

When government organizations do not follow rigorous accounting rules, they increase the risk that their annual financial statements may misstate

their annual performance. Incorrect financial statements increase the risk that MLAs and the public will form incorrect conclusions about the organization's financial performance.

Agri-Food Innovation Fund

The Department of Agriculture and Food administers the Agri-Food Innovation Fund (Fund). The purpose of the Fund is to enhance the diversification of the agri-food industry, support research and development, and encourage the creation of economic opportunities and jobs.

The Fund's financial statements for the year ended March 31, 2000 report net financial assets of $12.8 million.

Reliability of the financial statements

The Fund's 2000 financial statements are incorrect. The financial statements understate the Fund's liabilities (what it owes to others) by $8.4 million and overstate the Fund's net financial assets (surplus to date) by $8.4 million. This gives readers of the financial statements the wrong message. The message given is that the Fund has extra money on hand that is no longer required to pay for future program costs. In fact, the $8.4 million is required to pay for future program costs.

Canada and Saskatchewan advance money to the Fund to pay for program costs. The laws governing the Fund and the agreement between Canada and Saskatchewan require that all money paid into the Fund can only be used for the purposes of the Fund. Also, the Fund must return any money received and not used to pay for program costs to Canada and Saskatchewan at the end of the program. The Fund operates on a break-even basis except for the interest income earned on advances, which it is allowed to retain.

The advances should be recorded as liabilities (amounts owed back to Canada and Saskatchewan) until the Department incurs program costs. When program costs are incurred, the Department should remove an equal amount from the liabilities of the Fund and record it as revenue to offset the program costs.

The errors in the financial statements result from the Department incorrectly recording advances from Saskatchewan. The Department correctly records advances from Canada as liabilities and later as revenue after it has incurred program costs. This accounting follows the accounting recommendations of The Canadian Institute of Chartered Accountants (CICA). However, the Department incorrectly records advances from Saskatchewan as revenue even though it has not yet incurred program costs.

For example, in prior years the Fund received $28 million in advances from Saskatchewan, which it recorded as revenue. However, to date the Fund has only incurred $19.6 million in related program costs. Therefore, it appears as if the Fund has made an $8.4 million ($28 - $19.6) surplus to date. In reality the $8.4 million is not surplus because it is required to pay for future program costs. In our opinion, this accounting does not follow the accounting recommendations of the CICA.

We also reported this matter in our 2000 Fall Report – Volume 3.

As stated earlier, the Department should record money received in advance as a liability and later as revenue when program costs are incurred. Also, because the Fund operates on a break-even basis for the money received from Canada and Saskatchewan, the only net financial assets of the Fund should be interest earnings on advances.

1. **We continue to recommend the Department should record the money received from the Saskatchewan General Revenue Fund (GRF) as a liability of the Agri-Food Innovation Fund until the Department incurs related program costs.**

The Department thinks that because the Fund is a provincial government entity, there are no external restrictions on the use of the money received from Saskatchewan. Therefore, the Department thinks it is appropriate to record money received from Canada and Saskatchewan differently.

We disagree. We think the agreement between Canada and Saskatchewan restricts the use of the money in the Fund. Also, we think it is irrelevant whether both the Fund and the GRF are part of the provincial government. The GRF has provided money to the Fund for specific purposes as set out in the agreement between Canada and

Saskatchewan. Until the Department spends money for those purposes the Fund has a liability to the GRF.

Saskatchewan Agricultural Stabilization Fund

The Department of Agriculture and Food (Department) administers the Saskatchewan Agricultural Stabilization Fund (Fund). The Fund reports the transactions of the following six programs in separate accounts:

The New Crops Insurance Program
The Big Game Damage Compensation Program
The Waterfowl Damage Compensation Program
The Agricultural Income Disaster Assistance Program
The Unseeded Acreage Benefit Program
Canada-Saskatchewan Adjustment Program

The New Crops Insurance Program provides assistance to the Saskatchewan Crop Insurance Corporation for insurance losses on new or developmental crops.

The Big Game Damage Compensation Program provides assistance to Saskatchewan farmers for losses to field crops and stacked hay resulting from damage caused by big game.

The Waterfowl Damage Compensation Program provides assistance to Saskatchewan farmers for losses to field crops resulting from damage caused by waterfowl.

The Agricultural Income Disaster Assistance Program (AIDA) provided assistance to Saskatchewan farmers experiencing farm income shortfalls for the 1998 and 1999 calendar years.

The Unseeded Acreage Benefit Program provided a one-time payment to producers who do not participate in the insurance program provided by Saskatchewan Crop Insurance Corporation and who were unable to seed on or before June 25, 1999 due to excessive spring moisture conditions for the 1999-2000 crop year.

The Canada-Saskatchewan Adjustment Program (CSAP) provided a one-time payment to farmers as completion of the adjustment to the

elimination of the transportation subsidies and the elimination of the pooling of Canadian Wheat Board seaway costs.

Canada and Saskatchewan agreed to share the costs of the above programs. Canada and Saskatchewan share the costs of these programs equally except for AIDA and CSAP. For AIDA, Canada pays 60% of the costs and Saskatchewan pays 40% of the costs. For CSAP, Canada pays 70% of the costs and Saskatchewan pays 30% of the costs. Saskatchewan administers all the programs except AIDA. Canada administers AIDA.

The laws governing these programs and the agreements between Canada and Saskatchewan require that all money paid into the Fund for these programs can only be used for the purposes of the programs. Also, the Department must return any money received and not used to pay for program costs to Canada and Saskatchewan at the end of the programs. The Fund operates on a break-even basis except for the interest income earned on advances, which it is allowed to retain.

The Fund's financial statements for the year ended March 31, 2000 report revenues of $311.6 million, expenses of $379.1 million and net assets of $27.1 million.

Reliability of the financial statements

The Fund's 2000 financial statements are incorrect. The financial statements understate revenue and overstate the Fund's annual deficit (loss) for 2000 by $70.0 million. Also the financial statements understate the Fund's liabilities (what it owes to others) by $22.3 million and overstate the Fund's net assets (surplus to date) by $22.3 million. This gives readers of the financial statements the wrong message. The Fund's financial statements make it appear that expenses exceeded revenue by $70 million. In fact, revenue is $70 million higher. Also, the Fund reports more net assets than it actually has.

The errors in the financial statements result from the Department incorrectly recording some revenue. The Department correctly records all money received from Canada. The Department records revenue equal to Canada's share of program costs. The Department records money received from Canada in excess of its share of program costs as a liability

owing to Canada until the Department incurs costs under the program. This accounting follows the accounting recommendations of the CICA. However, the Department incorrectly records money received from Saskatchewan. It records the money received as revenue immediately regardless of when program costs are incurred.

For example, in 1999 the Fund received $140 million from Saskatchewan to pay for the AIDA program costs for 1999 and 2000. In 1999, the Department recorded the entire $140 million as revenue of the Fund. However, the Department only incurred costs of $70 million for that program in 1999. As a result, the Fund's 1999 financial statements make it look like there is $70 million more revenue than expenses. The reality is that $70 million was received to pay for future costs and is not revenue of 1999. In our opinion, this accounting does not follow the accounting recommendations of the CICA. The 2000 financial statements do not show the $70 million, received in 1999 to pay for program costs incurred in 2000, as revenue.

We reported in our 2000 Spring Report that the Fund's 1999 financial statements overstated revenue by $72.3 million and understated liabilities by an equal amount. We also reported the Department received money from Saskatchewan in excess of program costs for 1998 of $13.2 million and 1997 of $6.8 million and incorrectly recorded this money as revenue instead of a liability in those years.

As stated earlier, the Department should record money received in advance as a liability and later as revenue when program costs are incurred. Also, because the Fund operates on a break-even basis for the money received from Canada and Saskatchewan, the only net assets of the Fund should be interest earnings on advances.

2. **We continue to recommend the Department should record the money received from the Saskatchewan General Revenue Fund (GRF) as a liability of the Saskatchewan Agricultural Stabilization Fund until the Department incurs related program costs.**

The Department thinks that because the Fund is a provincial government entity, there are no external restrictions on the use of the money received

from Saskatchewan. Therefore, the Department thinks it is appropriate to record money received from Canada and Saskatchewan differently.

We disagree. We think the agreements between Canada and Saskatchewan restrict the use of the money in the Fund. Also, we think it is irrelevant that both the Fund and the GRF are part of the provincial government. The GRF has provided money to the Fund for specific projects as set out in the agreements between Canada and Saskatchewan. Until the Department spends money for those programs, the Fund has a liability to the GRF.

Milk Control Board

The purpose of the Milk Control Board is to control and regulate the marketing of milk in the province. To do so, the Board purchases milk from producers and sells it to processors. Also, the Board manages a quota exchange where producers can buy or sell production quotas.

The Board had revenue and expense of $121 million and held assets of $7.5 million at December 31, 2000.

Written policies and procedures needed

The Board needs written policies and procedures to ensure the financial information it produces is complete and accurate.

We reported this matter in our 1998 Fall Report – Volume 2. In January 1999, the Standing Committee on Public Accounts concurred with our recommendation.

We continue to recommend that the Board should develop written policies and procedures for preparing accurate financial information.

Management told us that the Board has been working to develop a written policies and procedures manual outlining the Board's requirements for financial reporting. This will be completed by June 2001.

Workers' Compensation Board

7

Executive summary **132**

Introduction **133**

Our audit conclusion and findings **133**

WCB needs disaster recovery plan 134

WCB needs to provide public disclosure of payments 135

Executive summary

In this chapter, we report the results of the audits of the Workers' Compensation Board (WCB) and the Workers' Compensation Board Superannuation Plan (WCB Plan) for the year ended December 31, 2000.

In our 2000 Fall Report – Volume 3, we said we would do audit procedures directly on WCB's benefits liabilities and its compensation expense for the year ending December 31, 2000. We have completed this work. We found WCB had adequate rules and procedures to safeguard and control its assets, except that the WCB needs an adequate disaster recovery plan.

We recommend the WCB prepare an adequate disaster recovery plan. The WCB has begun work on its disaster recovery plan.

We also continue to recommend that the WCB should publish a list of persons, other than injured workers, who received money from it following the Standing Committee of Public Accounts (PAC) current minimum disclosure requirements. Alternatively, the WCB should discuss with PAC a different disclosure requirement to meet the Members of the Legislative Assembly's objectives.

Introduction

The Workers' Compensation Board (WCB) operates under *The Workers' Compensation Act, 1979* (Act). This Act establishes a mandatory no-fault compensation program for Saskatchewan workers. The Board of Directors of the WCB administers this program and manages the WCB. It also hears and adjudicates claims on appeal.

The WCB plans to include its 2000 financial statements in its 2000 annual report. The WCB's financial statements report revenues of $230 million, expenses of $190 million, operating surplus of $41 million before employer rebates and legislated obligations, net surplus of $5 million, and net assets of $137 million.

The WCB also sponsors the Workers' Compensation Board Superannuation Plan (WCB Plan). The WCB Plan is a defined benefit pension plan. The Workers' Compensation Superannuation Board (Board) is responsible for administration of *The Workers' Compensation Board Superannuation Act*. The primary objective of the Board is to provide superannuation allowances to employees who retire and to the dependants of deceased superannuates and employees, in accordance with all governing legislation. The Public Employees Benefits Agency provides day-to-day management of the WCB Plan.

In 2000, the WCB Plan received contributions of $0.15 million from employees. At December 31, 2000, the WCB Plan held assets of $31.7 million and had liabilities of $21.4 million. The WCB Plan's financial statements will be included in its 2000 annual report.

Our audit conclusion and findings

We have completed our audit of the WCB for the year ended December 31, 2000. In our 2000 Fall Report – Volume 3, we said that we would do audit procedures directly on WCB's benefits liabilities, and its compensation expense for the year ended December 31, 2000. We have completed this work. We received full co-operation from the WCB.

We worked with the appointed auditor, Deloitte & Touche, to form our opinions on the WCB and WCB Plan using the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of*

Auditors (to review a copy of this report, see our website at http://www.auditor.sk.ca/rrd.html). Our Office and Deloitte & Touche formed the following opinions.

In our opinion for the year ended December 31, 2000:

- **the financial statements of the WCB and WCB Plan are reliable;**
- **the WCB and the WCB Plan Board had adequate rules and procedures to safeguard and control their assets and to comply with the laws, except that the WCB needs an adequate disaster recovery plan; and**
- **the WCB and the WCB Plan Board complied with the authorities governing their activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing and investing, except for pension payments to retired members who return to work for the Government (see Chapter 8 (Pensions) in this report). In Deloitte & Touche's opinion, the WCB Plan Board complied with authorities governing the WCB Plan's activities.**

We did not rely on Deloitte & Touche's opinion on the WCB Plan's compliance with the laws. *The Provincial Auditor Act* requires us to do additional work when we are unable to rely on the report of an appointed auditor. Our additional work consisted of reviewing relevant legislation and discussion with the WCB Plan's management.

We also report on another matter for the Legislative Assembly's attention relating to the public accountability of the WCB.

WCB needs disaster recovery plan

The WCB is dependent upon its computer systems. To provide continuous services, the WCB must ensure its systems and data are available when needed.

Sound contingency plans reduce the risks resulting from systems failing and business disruption. The WCB needs a written and tested

contingency plan to ensure the recovery of systems and data in case the WCB's electronic systems fail or if key service providers or suppliers' systems fail.

We also reported this matter in our 2000 Fall Report – Volume 3 and 1999 Fall Report – Volume 2.

The WCB has prepared some policies relating to computer security and disaster recovery. However, the WCB has not yet implemented those policies.

1. **We continue to recommend the WCB should prepare an adequate disaster recovery plan and test that plan to ensure it works.**

WCB needs to provide public disclosure of payments

In our 1998 Spring Report, we reported the WCB needs to comply with the Standing Committee on Public Account's (PAC) recommendations to provide the Legislative Assembly a list of persons who received money from the WCB and the amount they received (payee information).

PAC has specified the required details of disclosure for government agencies. PAC also recommended different disclosure for certain kinds of payments on an *ad hoc* basis when PAC thinks different disclosure will not impair achieving its initial objectives for wanting payee information.

We think the Members of the Legislative Assembly (MLAs) have the following three objectives for requiring public disclosure of those persons who receive money from a government organization:

- MLAs want to monitor who gives money to political parties and who gets money from government organizations;
- MLAs want to ensure government organizations spend money objectively; and
- MLAs want to build public confidence by ensuring the use of public money is transparent.

The Legislative Assembly said that the WCB should not publish a list of the names of individuals receiving compensation. However, the WCB spends a significant amount of money on costs other than compensation such as administration. The WCB has not provided the Legislative Assembly with payee information relating to the costs of administration.

On October 6, 1998, PAC considered this matter and recommended that the WCB work co-operatively with the Provincial Auditor to consider alternative public disclosure requirements and report back to PAC at a future meeting.

We met with the WCB's management to discuss alternative public disclosure requirements for the WCB's payee information. The WCB's management told us the WCB does not consider payee information an effective accountability tool. Management also told us the better alternative is for our Office to provide assurance to the Legislative Assembly on the WCB's specific rules and procedures for buying goods and services and setting salary grids for staff and management. While we agree MLAs would find this information useful, we do not think this information alone would be sufficient to meet the MLAs objectives for wanting payee information.

We also reported this matter in our 2000 Fall Report – Volume 3 and 1999 Fall Report – Volume 2. (For more discussion, see Chapter 14 (Executive Council) of our 2000 Fall Report – Volume 3.)

2. **We continue to recommend the WCB should publish a list of persons, other than injured workers, who received money from it and the amounts the person received following PAC's current minimum disclosure amounts. Alternatively, the WCB should discuss with PAC a different public disclosure requirement to meet the MLAs objectives.**

Pensions

8

Executive summary **138**

Glossary **139**

Purpose of chapter **141**

Government pension plans **141**

Status of systems and practices used to manage pension risks **142**

Summary of audit conclusions 143

Certain pension plans need to ensure that they comply with the law 144

Progress on our past recommendations **146**

Advisory Committee 146

Documentation of process for selecting investment managers 148

Saskatchewan Pension Plan should clearly set out and state risk level 148

The Government should use consistent estimates 148

Statements of investment objectives should clearly set out the plans' assessment of acceptable risk 150

Statements should clearly set out investment objectives 150

Verification of investment manager compliance reports 151

Reporting of investment performance 152

Our future plans **153**

Executive summary

In this chapter, we discuss pension plans' systems and practices to manage pension risks and report progress on our past recommendations.

We recommend that pension plans establish rules and procedures to ensure that pension payments to retired members are stopped when members are re-employed. Alternatively, if these laws are no longer reasonable then the pension plans should seek changes to the law.

We continue to recommend that the Government should establish an oversight body to provide advice to the Government about its pension plans, and to provide guidance and direction to the pension plans. Currently, the pension plans work independent of each other. The pension plans do not receive common guidance on: how to use the surpluses accumulated, how to reduce administrative costs, and what estimates and assumptions to use for calculating pension liabilities. Although the Department of Finance encourages pension plans to use consistent estimates and assumptions to calculate pension liabilities, an oversight body could bring more rigour to the pension plans' governance.

Pension plans have made progress in addressing our other past recommendations. However, pension plans need to improve their documentation of the process for selecting investment managers, their statements of investment objectives, and their verification of investment managers' reports.

Glossary

Actuary – a professional who prepares periodic asset and pension liability valuations for accounting purposes.

Actuarial valuation – an assessment of the financial status of a pension plan for accounting purposes. It consists of the valuation of assets held by a plan and the calculation of the actuarial present value of benefits to be paid under the terms of the plan.

Asset consultant – a professional who provides an analytical review of the money in the pension plan, the asset classes and the investment managers' performance, relative to peers and pension plan targets. The asset consultant monitors each manager's style and risk characteristics and comments on the acceptability of performance. He/she advises the board of directors of the plan on overall investment policy and management that achieves the plan's objectives.

Closed pension plan – a pension plan that does not accept new members into the plan.

Custodian – an organization such as a bank or a trust company that is contracted to monitor investment transactions and to provide record-keeping services for the pension plan. This organization has custody of the assets of the plan and is responsible for executing investment transactions and collecting income.

Defined benefit pension plan – a pension plan that specifies the pension that members of the plan receive on retirement or the method of determining the pension.

Defined contribution pension plan – a pension plan in which the members' contributions are fixed (except for the Saskatchewan Pension Plan whose members can contribute up to $600 each per year), usually as a percentage of pay. A member's pension is based on the member's and the employer's contributions made on behalf of the member and investment earnings on those contributions.

Government enterprises – are Government organizations that have the financial and operating authority to carry on a business. This includes contracting in their own name, and selling goods and services to

individuals and non-government organizations as their principle activity and source of revenue.

Government service organizations – are those organizations that are accountable to the Government and either owned or controlled by the Government, and are not Government enterprises.

Investment manager – an individual or organization that manages a portfolio of investments, which includes developing and implementing an investment strategy to achieve the objectives of the pension plan.

Model portfolio – investment manager's selection of a subset of all possible investments, which are monitored and recommended to clients (i.e., investment manager invests on clients' behalf in only 40 companies listed in the TSE 300).

Open pension plan – a pension plan that accepts new members into the plan.

Pension liability – the present value of pension benefits earned as determined by an actuary using the pension plans' best estimates about future events and an appropriate actuarial method as recommended by The Canadian Institute of Chartered Accountants for accounting purposes.

Statement of investment objectives – a document that describes a pension plan's investment policy and lays out key aspects of the pension plan in an orderly manner. This document describes a number of topics including the type of pension plan, nature of plan liabilities, the accepted risk, the degree of diversification of the portfolio, the classes and types of permitted investments, investment objectives and expected rates of return, valuation of investments, conflict of interest, related parties, retention/delegation of voting rights, etc.

Target rate of return – the planned rate of return that the pension plan has established. This rate is typically determined in reference to established indexes. For example, a target rate of return could be 40% of the Toronto Stock Exchange 300 Index and 60% of the Scotia Capital Markets Universe Bond Index.

Unfunded liabilities – the amount by which the pension liability exceeds the assets of the pension plan.

Purpose of chapter

The Government's pension plans are significant to the Legislative Assembly, members of the pension plans, and the public. Through the plans, the Government manages a significant amount of assets and pension liabilities. Note 6 to the Government's summary financial statements for the year ended March 31, 2000 shows an unfunded pension liability of $3.8 billion for government service organizations and a pension surplus of $177 million for government enterprises.

In this chapter, we discuss:

- the status of systems and practices to manage pension risks;
- progress on our past recommendations; and
- our future plans for work in this area.

Government pension plans

This chapter reports on 16 of the Government's pension plans. There are ten defined benefit plans and six defined contribution plans.

In **defined benefit plans**, the Government promises to pay each member a pension based on the member's salary and years of service. For the Municipal Employees' Pension Plan, the municipal employers and school boards promise to pay the pensions. In 1978 (1980 for the Teachers' Superannuation Plan), the Government reduced its risk that its pension costs would be greater than expected, by closing its defined benefit pension plans to new members, except for the Judges of the Provincial Court Superannuation Plan and the Municipal Employees' Pension Plan. Since 1978 (1980 for the Teachers' Superannuation Plan), new Government employees become members of defined contribution plans.

The ten defined benefit plans included in this chapter are:

- Judges of the Provincial Court Superannuation Plan;
- Liquor Board Superannuation Plan;
- Members of the Legislative Assembly Superannuation Plan;
- Municipal Employees' Pension Plan;

- Public Service Superannuation Plan;
- Power Corporation Superannuation Plan;
- Saskatchewan Government Insurance Superannuation Plan;
- Saskatchewan Telecommunications Pension Plan;
- Teachers' Superannuation Plan; and
- Workers' Compensation Board Superannuation Plan.

In **defined contribution plans**, the Government and the plan member each pay a fixed percentage of the member's salary into a fund (the Government no longer contributes for the Saskatchewan Pension Plan and members do not contribute for Saskatchewan Research Council Employees' Pension Plan). The member's pension is based on the accumulated contributions (i.e., total contributions made by the member and the Government over the member's career) and the investment earnings on these contributions.

The six defined contribution plans included in this chapter are:

- Capital Pension Plan Inc. (this plan includes employees of the Saskatchewan Gaming Corporation, Saskatchewan Government Insurance, Saskatchewan Transportation Company, Saskatchewan Water Corporation, and certain other agencies);
- Members of the Legislative Assembly Superannuation Plan;
- Public Employees Pension Plan (this plan includes employees hired by the Public Service Commission, Saskatchewan Telecommunications, and Saskatchewan Power Corporation);
- Saskatchewan Pension Plan;
- Saskatchewan Research Council Employees' Pension Plan; and
- Staff Pension Plan for Employees of the Saskatchewan Legal Aid Commission.

Status of systems and practices used to manage pension risks

In Chapter 5 of our 1996 Spring Report, we outlined the risks and the systems and practices that the Government needs to manage pension plans. We expect pension plans to:

- comply with the authorities governing their activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing;
- keep accurate and complete records to meet significant reporting needs;
- safeguard their investments;
- manage cash flows;
- maximize investment earnings within levels of acceptable investment risk; and
- submit timely reports to the Legislative Assembly, plan members, and Government agencies. These reports should permit the evaluation and comparison of planned performance to actual performance (e.g., targeted investment rates of return and actual rates of return).

Summary of audit conclusions

Based on our audits of pension plans with year-ends on or before December 31, 2000, we conclude:

- **all pension plans complied with authorities governing their activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing, except the following pension plans did not have rules and procedures to ensure retired members who return to work for the Government are paid according to the law:**
  - **Members of the Legislative Assembly Superannuation defined benefit Plan (MLA Plan);**
  - **Public Service Superannuation Plan;**
  - **the Liquor Board Superannuation Plan;**
  - **Workers' Compensation Board Superannuation Plan;**
  - **Power Corporation Superannuation Plan; and**
  - **Teachers' Superannuation Plan.**

Also, the Department of Finance is not paying allowances to surviving spouses as required by *The Members of the Legislative Assembly Superannuation Act, 1979* (see Chapter 9 (Finance) in this report). In addition, certain provisions of *The Members of the Legislative Assembly Superannuation Act, 1979* are not consistent with Canada's *Income Tax Act* (see Chapter 9 (Finance) in this report).

- **all pension plans kept accurate and complete records to meet reporting needs;**
- **all pension plans adequately safeguarded their investments;**
- **all those pension plans that have unfunded liabilities managed their cash flows; and**
- **all pension plans submitted timely reports except for the Teachers' Superannuation Plan (see Chapter 4 (Education) of this report).**

Certain pension plans need to ensure that they comply with the law

Pension plans need to comply with the law. The Members of the Legislative Assembly Superannuation defined benefits Plan, the Public Service Superannuation Plan, the Liquor Board Superannuation Plan, the Workers' Compensation Board Superannuation Plan, Power Corporation Superannuation Plan, and the Teachers Superannuation Plan do not have rules and procedures to comply with the laws governing the payment of pensions to the retired plan members.

The Superannuation (Supplementary Provisions) Act (Superannuation Act) applies to the Liquor Board Superannuation Plan, Power Corporation Superannuation Plan, the Public Service Superannuation Plan, and the Workers' Compensation Board Superannuation Plan. The Superannuation Act requires the plans to stop retired members' pension payments if the retired members return to work on a temporary or casual basis for the Government for more than 6 months in a fiscal year. The Superannuation Act also requires that, if a retired member receiving a pension is re-hired by the Government as a permanent employee, the

members' pension should be stopped from the day the member starts work.

The *Teachers Superannuation and Disability Benefits Act* has a similar provision. It requires retired teachers receiving a pension who teach more than 60 days in a year (reduced from 120 days after the 1998-99 fiscal year) to receive a reduced pension. Also, *The Members of the Legislative Assembly Superannuation Act* requires that pension payments for the Members of the Legislative Assembly Superannuation Plan be stopped upon re-employment.

None of these pension plans have systems and practices to ensure they are complying with the law when retired members receiving a pension are re-employed by the Government.

We recently reported a similar concern regarding retired teachers who return to work and receive pensions from the Teachers' Superannuation Plan. On March 14, 2001, this matter was discussed at the Standing Committee on Public Accounts (PAC). These discussions are available for review at http://www.legassembly.sk.ca. The following views were expressed during this discussion:

> Employees earn their pension during their employment. Pensions are part of an employees pay package. Therefore, pensions are deferred salaries. When they retire they begin receiving their deferred salary. It may be difficult to establish cost-effective systems to find retired members who are re-employed by the Government. Also, Saskatchewan's workforce demographics have changed since the requirement to stop pensions on re-employment was enacted. The new demographics might lead to eliminating this requirement.

Also, in past discussions of pension plans, legislators considered pensions to be deferred salaries.

In addition, retired members who return to work are not able to rejoin the pension plan and provide additional contributions to improve their pensions. Retired members' pensions are also not increased to reflect the period when their pension is stopped. As a result of the discussion at PAC, the Plans may want to consider whether their respective law(s) are still necessary. However, if the law(s) are not changed, the Plans are responsible to ensure they have a system to comply with the law.

1. **We recommend that the Plans establish rules and procedures to ensure all retired members receiving a pension, who have returned to work for the Government, are paid in accordance with the law. Alternatively, the Plans should seek changes to the law.**

Progress on our past recommendations

Since our 1996 Spring Report, we have regularly followed-up on our recommendations for pension plans. We also continued to make recommendations for the pension plans resulting from our study of pension plans' systems and practices to maximize their investment earnings within acceptable risk levels.

We followed-up on our past recommendations to monitor the Government's and its pension plans' progress in addressing our recommendations. Our follow-up work does not constitute an audit. Our follow-up procedures included examining the plans' financial statements for their years ended March 31, 2000, June 30, 2000, and December 31, 2000 and discussing progress with pension plan administrators.

The following section describes how the Government and its pension plans are progressing in addressing our past recommendations.

Advisory Committee

We recommended, in our 2000 Spring Report, that the Government should establish a task force to study the many issues related to pension plans. A task force (advisory committee) could examine:

- the significant future cash requirements of the Government's pension plans and how to address those requirements;
- what should be done with the surplus accumulated in some pension plans;
- whether members of all plans should make the same contributions and receive the same benefits;

- whether current administrative responsibilities should be combined under fewer organizations to help reduce administrative costs and/or improve investment earnings;

- whether all pension plans use consistent estimates and assumptions to calculate their pension liabilities; and

- why some plans have their own laws that govern them while other plans establish a plan document under *The Pension Benefits Act, 1992* that governs their plan.

In March 2001, PAC considered this recommendation and did not agree. We have further considered this issue.

We think there is a need for an oversight body. There does not appear to be a person or body that provides guidance and direction to all Government pension plans no matter whether they report through the Department of Finance, the Department of Education, or through the Crown Investments Corporation of Saskatchewan.

The pension plans operate independently of each other. Government pension plans do not have a common oversight body to provide guidance and direction on governance related matters. The pension plans do not receive any guidance on how to use the surpluses accumulated, how to reduce administrative costs, and what estimates and assumptions to use for calculating pension liabilities. Although the Department of Finance does encourage pension plans to use consistent estimates and assumptions to calculate pension liabilities, an oversight body could bring more rigour to pension plans' governance.

An oversight body could provide advice to the Government on the administration of its pension plans including how best to use surpluses in some plans, reduce administrative costs of the plans, and to manage pension liabilities.

2. **We continue to recommend that the Government should establish an oversight body to provide advice to the Government about its pension plans, and to provide guidance and direction to its pension plans.**

Documentation of process for selecting investment managers

In our 2000 Spring Report, we recommended:

- All pension plans should document their process for selecting investment managers.

In March 2001, the Standing Committee on Public Accounts (PAC) concurred with our recommendation.

We are beginning to see some progress in this area. During 2000, the Power Corporation Superannuation Plan documented its procedures for selecting investment managers.

Pension plans need to do more work in this area.

Saskatchewan Pension Plan should clearly set out and state risk level

In our 1999 Spring Report and 2000 Spring Report, we recommended:

- the Saskatchewan Pension Plan's *statement of investment objectives* should clearly set out and state the risk level acceptable to its plan members and the Government. The pension plan's investment objectives should be based on the risk level acceptable to plan members and the Government.

In March 2001, PAC considered this matter and concurred with our recommendation. Management told us it is considering how best to address this recommendation. We look forward to seeing progress in this area.

The Government should use consistent estimates

In our 1999 Spring Report and 2000 Spring Report, we recommended:

- The Government calculate its pension liability for each of its defined benefit pension plans using consistent estimates.

Defined benefit pension plans need actuarial valuations, at least every three years, to reflect changes in the membership, the plan document and/or legislation, and the reasonability of assumptions used to determine the pension liability. Pension plans may need to have actuarial valuations done in between the three-year period if pension plan documents, assumptions, and/or legislation are changed significantly.

Some pension plans are still using inconsistent estimates to calculate their pension liability for accounting purposes. Most government defined benefit pension plans used 3.25% as their long-term inflation estimate for valuations completed in 1999 and 2000. The Saskatchewan Telecommunications Pension Plan, on the other hand, used 2.6% as its long-term inflation estimate. The Saskatchewan Government Insurance Superannuation Plan used 3.75%.

The Government's defined benefit pension plans should use consistent estimates and assumptions to calculate their pension liabilities. The inflation rate used to calculate pension liabilities for defined benefit pension plans should be the same for all of the Government's pension plans because they all operate in the Saskatchewan economy.

Pension plan administrators have many duties including setting the assumptions for actuarial valuations. Because there is only one Government of Saskatchewan and there is only one economy in Saskatchewan, the inflation assumption should be the same for all the pension plans to ensure the financial results of the pension plans are comparable. Also, when the financial information from all of the pension plans is included in the Government of Saskatchewan's summary financial statements there should be only one inflation assumption. The Government needs to tell the various pension plans its inflation assumption so that the assumption is used consistently.

The Government should monitor all defined benefit pension plans to ensure they all use consistent estimates to calculate their pension liabilities. An oversight body could ensure that all Government pension plans use consistent estimates and assumptions to calculate their pension liabilities.

In March 2001, PAC considered this recommendation and concurred with the recommendation in principle. PAC also recommended that the

Government should continue to work towards using consistent estimates for inflation for all its defined benefit plans.

Statements of investment objectives should clearly set out the plans' assessment of acceptable risk

In our 1998 Spring Report, we recommended:

- Pension plans' *statements of investment objectives* should include a clear assessment of the risk level acceptable to plan members and the Government.

In October 1998, PAC concurred with our recommendation.

We continue to monitor pension plans' progress in this area. Pension plans' *statements of investment objectives* (statements) continue to generally improve. Teachers' Superannuation Plan still does not clearly set out the plan's assessment of acceptable risk level of its members and the Government.

Teachers' Superannuation Plan provides little or no information on membership demographics in its statement. Also, the Teachers' Superannuation Plan, in its *statement of investment objectives,* provided little information on its unfunded status.

Teachers' Superannuation Plan should include this information in its *statement of investment objectives* to help understand the pension plan and its risk assessments.

Statements should clearly set out investment objectives

In our 1998 Spring Report, we recommended:

- Pension plans' investment objectives should be based on the risk level acceptable to plan members and the Government.

In October 1998, PAC concurred with our recommendation.

We continue to monitor pension plans' progress in this area.

Generally, we found pension plans established and clearly stated their investment objectives in their *statements of investment objectives*. However, pension plans need to continue to improve their *statements of investment objectives*.

Power Corporation Superannuation Plan needs to improve the information on the plan's asset class expected rate of return (e.g., expected return on short-term securities, bonds, Canadian equities, etc.). Teachers' Superannuation Plan needs to improve guidelines on acceptable related-party transactions, clearly outline cash flow requirements, and outline what terms would result in ending an investment manager's contract.

Teachers' Superannuation Plan, Capital Pension Plan Inc., Power Corporation Superannuation Plan, and Saskatchewan Government Insurance Superannuation Plan need to establish policies that investment managers must follow for selecting investment dealers. Power Corporation Superannuation Plan needs to include a suggested format that investment managers must follow when reporting on compliance with the plan's investment policy.

The pension plans need to make more progress in this area.

Verification of investment manager compliance reports

In our 1999 Spring Report and 2000 Spring Report, we recommended:

- Pension plans should verify investment managers' compliance reports.

In March 2001, PAC considered this matter and concurred with our recommendation.

To help pension plan administrators effectively evaluate investment manager performance, they need independent assurance on the accuracy of the investment manager's reports. Pension plans must ensure that the investment manager has complied with the terms and conditions set out in the statement of investment objectives that define acceptable risk.

Several pension plans are working on processes for obtaining independent assurance of compliance reports from investment managers. These plans are Capital Pension Plan Inc., Saskatchewan Government Insurance Superannuation Plan, and Power Corporation Superannuation Plan.

We will continue to monitor the progress that pension plans are making in verifying investment manager compliance reports.

Reporting of investment performance

In our 2000 Spring Report, we recommended:

- The Workers' Compensation Board Superannuation Plan, Capital Pension Plan Inc., and Saskatchewan Pension Plan disclose their actual and targeted rates of return in their audited financial statements.

In March 2001, PAC considered this matter and did not concur with our recommendation.

The pension plans addressed in the recommendation have further considered this issue. The Workers' Compensation Board Superannuation Plan has included its investment performance in its audited financial statements for the year ended December 31, 2000. Capital Pension Plan Inc. told us it plans to disclose investment performance in its 2001 audited financial statements. Additional credibility is added when actual and targeted rates of return are included in the financial statements because the information is audited.

More and more pension plans are deciding to include investment performance in their audited financial statements. This good plan governance is not just restricted to Saskatchewan. We observe that other plans, such as the Ontario Teachers' Pension Plan and the Alberta Teachers' Retirement Fund Board, report investment performance in their audited financial statements.

Saskatchewan Pension Plan continues to disclose its actual and targeted rate of return separately in its annual report. We plan to continue to

encourage Saskatchewan Pension Plan to show this information in its audited financial statements.

Management of the Saskatchewan Pension Plan told us they are considering disclosing the plan's actual and targeted rates of return in its audited financial statements.

Our future plans

We plan to continue to examine the systems and practices pension plans use to manage their key risks. We note several pension plans in Canada have been sued or are being sued for improperly carrying out their governance responsibilities. We think that the Government can reduce its risk of losses by ensuring its pension plans use sound governance practices. We have begun the process of developing criteria to study pension plan governance. We will report these criteria in a future report.

In addition, in a future report, we will provide an update on the progress pension plans have made in improving their annual reports.

This page left blank intentionally.

Finance

9

Executive summary 156

Introduction 157

Special purpose funds and Crown agencies 157

Our audit conclusions and findings 157

Members of the Legislative Assembly Superannuation Plan 158

Spousal payments require authority 159

Act needs to provide direction 159

Law needs to be consistent 160

Executive summary

In this chapter, we report the results of our audits of the special purpose funds and Crown agencies administered by the Department of Finance (Department) with years ending December 31, 2000.

We also report on the Public Service Superannuation Plan and the Members of the Legislative Assembly Superannuation Plan for the year ended March 31, 2000. These audits were completed after we prepared our 2000 Fall Report – Volume 3.

We focus on the need for the Department to ensure the pension plans it administers comply with the law.

The Department should ensure payments to surviving spouses of Members of the Legislative Assembly comply with *The Members of the Legislative Assembly Superannuation Act, 1979* (Act) and should seek changes to the Act to provide direction for the handling of profits or losses from underwriting annuities. Also, the Department should seek amendments to the Act to make its requirements for contributions consistent with Canada's *Income Tax Act*.

Introduction

The Department of Finance (Department) helps the Government and Legislative Assembly manage and account for public money. As part of these duties, the Department administers and is responsible for several special purpose funds and Crown agencies.

Special purpose funds and Crown agencies

The Department is responsible for the following special purpose funds and Crown agencies.

Year end December 31

Extended Health Care Plan
Extended Health Care Plan for Certain Other Employees
Municipal Employees' Pension Commission
Public Employees Deferred Salary Leave Fund
Public Employees Disability Income Fund
Public Employees Dental Fund
Public Employees Group Life Insurance Fund
Saskatchewan Pension Plan

Year end March 31

General Revenue Fund
Members of the Legislative Assembly Superannuation Fund
Public Employees Benefits Agency Revolving Fund
Public Employees Pension Plan
Public Service Superannuation Plan
Saskatchewan Pension Annuity Fund

Our audit conclusions and findings

This chapter contains our audit conclusions and findings on the special purpose funds and Crown agencies with years ending December 31, 2000.

In our 2000 Fall Report – Volume 3, we reported on the funds and Crown agencies with years ending on or during the year to March 31, 2000,

except for the Public Service Superannuation Plan and the Members of the Legislative Assembly Superannuation Plan. We have now completed these audits and report the conclusions and findings in this chapter.

Our Office worked with Ernst & Young, Saskatchewan Pension Plan's appointed auditor and KPMG, the Municipal Employees' Pension Commission's appointed auditor. We used the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (to view a copy of this report, see our website at http://www.auditor.sk.ca/rrd.html). Our Office, Ernst & Young, and KPMG formed the following opinions.

In our opinion:

- **the financial statements for the Department's special purpose funds and Crown agencies are reliable;**
- **the Department's special purpose funds and Crown agencies had adequate rules and procedures to safeguard and control their assets; and**
- **the Department's special purpose funds and Crown agencies complied with the governing authorities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing and investing, except where we report otherwise in this chapter and for pension payments to certain retired members who return to work, which we report in Chapter 8 (Pensions) of this report.**

Members of the Legislative Assembly Superannuation Plan

The Members of the Legislative Assembly Superannuation Plan (Plan) receives contributions from members and the General Revenue Fund. The Department uses the contributions and investment income to pay pensions and administrative costs. In 2000, the Plan paid pensions of $2.3 million. At March 31, 2000, it held net assets of $20 million.

Spousal payments require authority

The Department paid more allowances to surviving spouses of deceased members than required by *The Members of the Legislative Assembly Superannuation Act, 1979* (Act).

We continue to recommend the Department should pay allowances to surviving spouses as required by the Act or seek changes to the Act to allow for these payments.

We reported this matter in our 1999 Fall Report - Volume 2 and previous reports. The Standing Committee on Public Accounts (PAC) considered this matter in January 1999 and more recently in March 2001 and concurred with our recommendation.

The Department told us it continues to seek legislative changes.

Act needs to provide direction

The Members of the Legislative Assembly Superannuation Act, 1979 needs to set out how the Department should administer profits or losses from underwriting annuities.

The law does not specify who pays for any future losses, nor does it direct the use of profits. At March 31, 2000, the accumulated profits from underwriting annuities were $253,000 (1999 - $157,000, 1998 - $231,900, 1997 - accumulated losses of $55,950).

We continue to recommend the Department should seek changes to the law to provide direction for the handling of profits or losses from underwriting annuities.

We reported this matter in our 1999 Fall Report - Volume 2 and previous reports. PAC considered this matter in January 1999 and more recently in March 2001 and concurred with our recommendation.

The Department told us it continues to seek legislative changes.

Law needs to be consistent

The Department needs to seek changes to *The Members of the Legislative Assembly Superannuation Act, 1979* (MLA Act) to make its requirements for contributions consistent with Canada's *Income Tax Act* (Income Tax Act).

A pension plan registered under the Income Tax Act enables members of the plan to defer taxation of their benefits until they retire. Once a pension plan is registered, it must comply with the Income Tax Act or face losing its registration. If a pension plan loses its registration, members of the plan would have to pay income tax immediately on the benefits earned. The Members of the Legislative Assembly defined contribution plan is registered under the Income Tax Act. However, the MLA Act is in conflict with requirements of the Income Tax Act.

For example, for the Members of the Legislative Assembly defined contribution plan, the Income Tax Act allows a maximum combined contribution by the member and the Government of $13,500 per year or 18% of the member's earned income if that is lower than $13,500. The MLA Act requires its defined contribution plan members and the Government to contribute in excess of the maximum.

When pension plans do not comply with the Income Tax Act they face the risk of losing their registration, resulting in immediate tax implications for their members.

To ensure members of the plan can continue to defer taxation of their benefits, the Department should seek change to the MLA Act to make it consistent with the Income Tax Act.

1. **We recommend the Department should seek change to the provisions of *The Members of the Legislative Assembly Superannuation Act, 1979* to make them consistent with Canada's *Income Tax Act*.**

The Department told us it would seek legislative change.

Standing Committee on Public Accounts

10

Introduction **163**

Overview of Committee's role and responsibilities **163**

The members of the Standing Committee on Public Accounts 164

Committee activities **165**

Status of prior recommendations of the Committee **167**

Assessment of the status of the Committee's recommendations **168**

Key terms 168

Exhibit 1 – List of outstanding Committee recommendations **170**

Exhibit 2 – List of Recommendations that the Standing Committee on Public Accounts requested the Legislative Assembly to refer to the Standing Committee on Crown Corporations **190**

This page left blank intentionally.

Introduction

This chapter provides an overview of the role and responsibilities of the Standing Committee on Public Accounts (Committee). We briefly describe what the Committee does, how it is structured, and how it works.

We discuss the importance of the Committee's deliberations and recommendations. We highlight some of the recent accomplishments of the Committee. Also, in two Exhibits to the chapter, we list past recommendations of the Committee that our Office has assessed as not fully implemented. We think reviewing these outstanding recommendations provides Committee members with an opportunity to ask Government officials why they have not dealt with these recommendations.

Overview of Committee's role and responsibilities

At the beginning of each Legislature, the Legislative Assembly appoints the Committee. The Committee helps the Assembly to hold the Government accountable for its management of public resources. We view this Committee as the audit committee for the Legislative Assembly and thus, the public.

The management of public resources begins and ends in the Assembly. The Assembly refers to the Committee the public accounts of the Government of Saskatchewan and the reports of our Office. The Committee uses these reports to review the Government's management of public resources.

The Government manages Saskatchewan's public resources through a vast and complex structure of over 200 organizations, including departments, boards, and Crown corporations (see Appendix 2 for a list of these organizations).

The Committee's main objective is to discuss and correct issues that are raised by Committee members and by our Office. To meet its responsibilities, the Committee can examine and evaluate the activities of all government departments, agencies, and Crown corporations included in the public accounts and our reports.

The Committee has access to all government organizations and their officials. The officials attend the Committee meetings and answer questions about the administration of their programs. The Committee reports its findings and recommendations to the Assembly.

The Committee is not fundamentally concerned with matters of policy. Rather, it questions the economy and effectiveness of the administration of government programs.

The Committee's work is crucial in a well-managed parliamentary system of government. The Committee provides a vital link in the chain of accountability over public resources.

The Committee's discussions and recommendations to the Assembly result in a more open and accountable government and better management of government operations. By questioning, requesting information, and making recommendations in its reports to the Assembly, the Committee also acts as an agent of change in the practices of government management. The work of the Committee contributes to the public's confidence in our system of government.

Our Office attends the Committee's meetings to help the Committee in its reviews.

The Committee's meetings are open to the public. Written records of the Committee's meetings (Hansard verbatims), minutes, and reports are available to the public on the Committee's web page (which is part of the Assembly's Internet website – http://www.legassembly.sk.ca/committees/paccomm.htm).

The members of the Standing Committee on Public Accounts

The members of the Committee at its most recent sitting in the second session of the 24th Legislature were as follows:

- Ken Krawetz, Chair
- Ron Harper, Vice-Chair
- Rod Gantefoer
- Debbie Higgins

- Carolyn Jones
- Judy Junor
- Carl Kwiatkowski
- Lyle Stewart
- Milton Wakefield
- Mark Wartman

Committee activities

In our previous reports, we described the accomplishments of the Committee up to January 1999. The Committee had reviewed all of our reports up to and including our 1998 Fall Report – Volume 2. The Committee presented its Third Report of the 23rd Legislature on April 19, 1999. That Report contains over 280 recommendations. The Assembly concurred in this Report. The Government responded to this Report on February 15, 2000. We think reporting the activities and achievements of the Committee helps strengthen public confidence in our system of government.

This section reports on the accomplishments of the Committee from January 1999 to the spring of 2001. The Committee has begun review of the following reports of our Office:

- 1999 Spring Report
- 1999 Fall Report (Volumes 1 and 2)
- 2000 Spring Report
- Special Report regarding Changes to *The Provincial Auditor Act* (February 2000)
- 2000 Fall Report (Volumes 1, 2, and 3)

Increasingly, the Committee's discussions relate to broader issues including strategic plans, key risks to achieving goals and objectives, and performance measures. We congratulate the Committee on these important initiatives.

In addition, the recommendations in the Committee's Third Report relate to changes that would result in more open and accountable government and better management of government operations. We think some of the more important recommendations called for:

- the Department of Health to continue improving its reporting to the Assembly on health plans, performance targets and results, information on the effectiveness of the District Health Boards' services and programs, and the health status of their residents;

- the Government to form a plan for the entire Post-Secondary Education and Skills Training sector and report publicly on how well the Government is meeting its goals, objectives, and performance targets;

- the Department of Education to improve public accountability of school divisions with respect to the goals of education;

- the Government to take specific steps to improve governance, organization structure, and management controls at the Saskatchewan Power Corporation;

- the Department of Finance to report on how the Government plans to address its pension obligations;

- the Government and its agencies to have plans approved to cope with the Year 2000 Issue by setting objectives, identifying resources needed, developing contingency plans, and reporting on progress; and

- the Chief Electoral Office to improve the reliability of the returns submitted by political parties and candidates.

The Committee chose not to deal with 18 recommendations in our reports relating to the Crown Investments Corporation of Saskatchewan and its subsidiaries. The Committee recommended that the Legislative Assembly request the Standing Committee on Crown Corporations to examine those recommendations. The Assembly has not referred these recommendations to that Committee. As a result, these recommendations have not been examined by a Committee of the Legislative Assembly. Also, as at the date we last audited these organizations, the Government has not taken action on many of these recommendations.

During 2000, the Committee met seven times to discuss proposed changes to *The Provincial Auditor Act* (Act). This process contributed to

the development of proposed legislation that we think will strengthen our accountability and independence. On May 10, 2001, the Committee tabled its First Report of the 24th Legislature in the Legislative Assembly. This Report includes the Committee's recommendations for changes to our Act.

Status of prior recommendations of the Committee

In the previous five years (including PAC's Third Report of the 23rd Legislature), the Committee has made 426 recommendations. Some of these recommendations may take a number of years to implement. However, we note that as of April 2001, the Government has fully implemented over 75% of the Committee's recommendations. Also, almost 55% of the remaining recommendations have been partially implemented.

The Committee has asked us to monitor compliance with its recommendations and to advise it of their status. We think it is important that the Committee know which of its past recommendations the Government has not yet fully acted on. Therefore, in Exhibit 1, we provide a list of outstanding Committee recommendations and their status as at the date we last audited the organization or area. In Exhibit 2, we provide a list of recommendations that the Committee requested the Legislative Assembly refer to the Standing Committee on Crown Corporations. The Legislative Assembly has not referred these recommendations to the Standing Committee on Crown Corporations. However, because the Government has acted on some of these recommendations, we provide the status of these recommendations as at the date we last audited the organization or area.

In future reports, we will continue to monitor the status of the Committee's recommendations. We think this is important to help the Committee complete the accountability cycle.

We congratulate the Committee on its efforts in fostering a more open and accountable government and better management of government operations. We look forward to continuing to help the Committee carry out its important responsibilities.

Assessment of the status of the Committee's recommendations

In our 1999 Spring Report, we reported on our assessment of the status of the Committees' recommendations. In that Report, we set out all of the Committee's recommendations made up to and including the Committee's Second Report of the 23rd Legislature that had not been fully implemented.

In Exhibits 1 and 2, we provide an update on the status of those recommendations, and the recommendations the Committee made in its Third Report of the 23rd Legislature.

The recommendations are listed in the Exhibits by date by the Committee report in which they were first reported.

Key terms

Starting with the 23rd Legislature, the Committee's reports contain two types of recommendations:

1. **Committee recommendations** on which the Committee expects an official response from the Government. In the following table, these recommendations are identified by a bold number (e.g., **3**) preceding them. The Government has provided the Committee with a written response to the Third Report of the 23rd Legislature.

2. **Committee concurs** with recommendations of our Office. These are our Office's recommendations which the Committee supports, agrees or concurs with but on which it **does not expect a formal response** from the Government. However, because these recommendations are a matter of ongoing record, the Committee expects the Government's progress in complying with them to be followed up. In the following table, these recommendations are identified by a non-bolded number (e.g., 10.46) preceding them. The non-bolded numbers reflect the chapter and paragraph numbers per our related report.

Report/study - When the Committee recommends that the Government examine, consider, study, or review an issue, the Committee

needs to know what the Government decided and why the decision was taken. The Government's response should:

- clearly define the issue,
- set out the sources of supporting information gathered by surveys, interviews, or literature searches,
- outline the major factors involved—the pros and cons, and
- describe the action it proposes to take.

Status - In the "status" column of the Exhibits, we provide our assessment of whether the Government has not implemented or partially implemented the Committee recommendations as at the last date we audited the area or organization.

Not implemented - Based on the last time we audited the area or organization, action has not been taken on this recommendation.

Partially implemented - Based on the last time we audited the organization, some action has been taken on this recommendation.

Exhibit 1 – List of outstanding Committee recommendations

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
Second Report of PAC – 22nd Legislature – tabled March 3, 1993		
1993	**12a,b**. The Government should establish consistent policies for entertainment, employee recognition, advertising and donations for all organizations and the policies should be made public.	**Not implemented** (as at March 31, 2001). The Government does not have consistent policies for entertainment, employee recognition, advertising, and donations for all organizations.
1993	**12c.** *The Legislative Secretary Expense Regulations* should be changed to specify conditions for assigning vehicles.	**Not implemented** (as at March 31, 2001). The Government has not changed these regulations.
Third Report of PAC – 22nd Legislature – tabled March 19, 1993		
1993 (3rd) 1994 (6th) 1995 (7th) 1996 (1st) 1997 (2nd)	In its reports of 1993, 1994, 1995 and 1996, PAC recommends: **3.** The Government should study the implications and issues related to the preparation of a multi-year financial plan for the Government as a whole. **4.** As to the matter of annual financial plans showing proposed revenue-raising programs and spending programs of all government organizations, and the matter of a multi-year plan for all government organizations, this Committee recommends that the Office of the Provincial Auditor, the Crown Investments Corporation and the Department of Finance undertake discussions on this issue, and return to this Committee with a joint report. During these discussions, the Committee asks that the advice of the Institute of Chartered Accountants of Saskatchewan and the Provincial Audit Committee be sought.	**Study deferred by PAC**. The Government has not presented a study to the Committee for consideration. In its October 1995 response to PAC's Seventh Report, the Government stated this recommendation contains a number of issues that significantly impact government processes, including governance and financial planning and reporting. The Government is in the process of studying these issues and assessing the implications. Until the Government has fully analysed the concerns, the basis for its current budget and its operating processes will be maintained. The PAC, in its April 1997 Second Report of the 23rd Legislature, stated it "is satisfied with the Government's explanation that it currently prepares a comprehensive financial plan, and that multi-year budgeting on a government-wide basis would significantly impact a number of government processes, including governance, financial planning and reporting. Consequently the Committee decided that it is premature for the Government to consider moving towards multi-year, government-wide planning information until such time as there have been standards and consistency developed for reporting this information". In its Third Report of the 23rd Legislature, tabled in April 1999, PAC reaffirmed its position that "it is premature for the Government to consider moving towards multi-year, government-wide planning

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
		information until such time as there have been standards and consistency developed for reporting this information". In our 1998 Fall Report – Volume 1, we recommend Cabinet improve its published overall plan by showing clearly the broad direction of the entire Government from both a financial and operational perspective. In our 1998 Fall Report – Volume 2, we note the Minister of Finance announced a review of the Government budget process. We suggest as part of this initiative, the Government should provide Legislators with a complete financial plan for the entire Government that sets out all planned revenues and expenses expected for each of the next two or three years. In its Third Report of the 23rd Legislature, tabled in April 1999, PAC noted the above initiative and "agreed to await the conclusion of this examination by the Minister before further addressing the issue".
1993 (3rd) 1994 (6th)	In its reports of 1993 and 1994, PAC recommends: **10.** The Government should adopt the accounting principles and reporting standards established by the Public Sector Accounting and Auditing Board (PSAAB) of The Canadian Institute of Chartered Accountants (CICA) and is encouraged to move toward the use of these principles for the preparation of financial plans and budgets.	**Partially implemented** (as at March 31, 2001). The Government follows PSAB recommendations in preparing the Summary Financial Statements that show the entire operations of the Government as required by PSAB. However, the Government does not currently prepare a financial plan that shows the entire operations of the Government as contemplated by PSAB.
1993	**12.** With regard to strengthening the ability of legislators to hold Crown corporations accountable: ♦ Decisions to create Crown corporations should be properly reported to and debated by the Assembly;	**Partially implemented** (as at March 31, 2001). Legislation now exists for all corporations governed by *The Crown Corporations Act, 1993*. The Act requires bodies incorporated by Crown corporations or designated subsidiary Crown corporations to table a report outlining the name and reasons for incorporation.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
	♦ Crown corporations should have the same public reporting requirements as do government departments unless otherwise stated in the mandate of the corporation.	Departments and Crown corporations not governed by *The Crown Corporations Act, 1993* have no such requirement. The Government expects Treasury Board Crowns to follow reporting requirements similar to government departments. Other Crown corporations do not follow the same public reporting requirements as government departments.
1993	**68.** With regard to the Agricultural and Food Products Development and Marketing Council: the Council should monitor the activities of the marketing boards it controls to ensure they comply with authorities and have adequate rules and procedures to safeguard and control their assets.	**Partially implemented** (as at March 31, 2001). In our 1998 Spring Report we note the Department of Agriculture, the Council and our Office made a number of joint recommendations to improve accountability and reporting practices for the marketing boards. In its Third Report of the 23rd Legislature, tabled in April 1999, PAC concurred with all of the joint recommendations. In our 1999 Fall Report – Volume 2, we state we are pleased with the Department's progress in addressing these recommendations. We indicate that we will continue to monitor their implementation.
Sixth Report of PAC - 22nd Legislature – tabled March 29, 1994		
1994	**3.** Your Committee recommends that the Government should move towards disclosing, in the summary financial statements, information on its infrastructure investments.	**Partially implemented** (as at March 31, 2000). In its 1995 review of the Government's response to PAC's Sixth Report, PAC noted "a Task Force on Reporting Capital Assets had been created under the auspices of PSAB and agreed to encourage the Minister of Finance to monitor the Task Force's progress". In 1997, PSAB recommended a statement of capital assets be prepared as soon as practicable. Since 1998, the Government has provided the information required by PSAB in the notes to the summary financial statements except for its infrastructure of highways, bridges, and dams.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
1994	**12.** Your Committee recommends that the interim report issued by the Government reflect the financial results of the Government as a whole, show the financial results to the interim date compared to what was planned and show the forecast to the end of the year.	**Not implemented** (as at November 30, 2000). The *Province of Saskatchewan: 1999-2000 Mid-Year Financial Report* does not reflect the financial results of the Government as a whole or show the financial results to the interim date compared to what was planned. Rather it focuses on the financial activity of the General Revenue Fund.
1994	**15.** Your Committee recommends that the Government give consideration to the advisability of introducing legislation to limit the amount of public money that can be committed by the Government to a new project or program without the specific prior approval of the Legislative Assembly.	**Not implemented** (as at March 31, 2000). The Government has not presented a study to the Committee for consideration. In its August 1994 response to the PAC's Sixth Report, the Government said it believes *The Crown Corporations Act, 1993* (the Act), addressed this issue for Part II Crown corporations. "Beyond the provisions made through the Act, the Government is not currently in a position to proceed with implementation of this recommendation. However, the Government believes the issue is worthy of study." In its 1995 review of the Government's response, PAC encouraged the Government "to do a study".
1994	**19.** Your Committee recommends that the Government provide mandate statements to the Legislative Assembly for each government organization and that those statements be referred to a standing committee for regular review.	**Partially implemented** (as at March 31, 2001). Agencies that table their annual reports in the Assembly do provide mandate statements setting out their purpose and accountabilities. Those corporations that do not table annual reports in the Assembly do not provide this information. In addition, most annual reports tabled in the Assembly are not referred to a standing committee for review.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
1994	**30.** Your Committee recommends that policies established to deal with Committee recommendations should be documented in the Treasury Board Accounting and Reporting Manual or in a comprehensive manual with similar authority.	**Not implemented** (as at March 31, 2001). In its August 1994 response to the PAC's Sixth Report, the Government stated the Treasury Board Accounting and Reporting Manual includes "policy-related recommendations as they apply to departments and certain Crown corporations, agencies and boards. This covers a majority of recommendations. Currently, a manual is not maintained to document any other types of recommendations".
Seventh Report of PAC - 22nd Legislature – tabled May 10, 1995		
1995	**1.** The Government review whether forecasts of the cash required to meet existing pension liabilities should be provided to the Assembly and included in the Summary Financial Statements.	**Partially implemented** (as at March 13, 2001). The Department of Finance provided a report to PAC on March 13, 2001 showing how the Government plans to address its future cash requirements for pensions promised. The Government has provided future cash flow information in its unfunded defined benefit pension plans' financial statements or annual reports. However, it has not provided this information in the Summary Financial Statements.
1995	**2.** The Government should examine how to disclose more fully, in departmental and Treasury Board agency annual reports, information to describe its investment in infrastructure.	**Not implemented** (as at March 31, 2000). The Government has not provided a study to the Committee for consideration. In its October 1995 response to PAC's Seventh Report, the Government stated "more work is needed to determine what constitutes useful information respecting infrastructure investment".
First Report of PAC – 23rd Legislature – tabled June 16, 1996		
1996	**5). a.** The Government provide the Legislative Assembly with a final, concluding report on the implementation of the Gass Commission [Financial Management Review Commission]. **b.** The report should detail which recommendations have been implemented, which have not been implemented and should be, and what plans are in place to do so; and which	**Not implemented** (as at March 31, 2001).

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
	recommendations should not be implemented, and the reasons why not. **c.** The Government should release background papers, studies and all other material that can be appropriately released along with this report.	
1996	**7.** The Government address the concerns raised in Chapter 4 of the Spring 1996 Report, being recommendations regarding the need for: security policies and procedures found at paragraphs 4.31; 4.32; 4.33; better accountability for security found at paragraphs 4.42; 4.43; 4.44; staff security awareness found at paragraphs 4.51; 4.52; 4.53; an IT security assessment found at paragraph 4.61; strengthening controls to protect the confidentiality and integrity of data found at paragraphs 4.70; 4.71; 4.72; 4.73; and approved and tested contingency plans found at paragraphs 4.84; 4.85; and 4.86.	**Partially implemented** (as at December 14, 1999). Based on our audits of government organizations, there have been improvements in these areas. We will be updating the status of our study in 2002 and report on the results in a future report.
1996	**9.** The Government should use consistent estimates for COLA (Cost of Living Adjustments) increases and inflation to calculate the pension liability for its defined benefit pension plans.	**Partially implemented** (as at March 31, 2000). The Government's defined benefit based pension plans continue to not use consistent estimates for inflation to calculate their pension liabilities. On March 31, 2000, during review of Chapter 8 of our Spring 2000 Report, PAC considered and agreed that the Government should work towards using consistent estimates for inflation for all of its defined benefit plans.
1996	**12.** The Department of Health and District Health Boards work together over the next few years to improve needs assessment processes and address those concerns raised by the Provincial Auditor.	**Partially implemented** (as at March 31, 2000). District Health Boards are working on needs assessments. However, they still need help from the Department and others to: plan for needs assessment over the long-term; to collect and compare key information at all levels and report information that forms a provincial health picture; and analyse health status information and health needs to set priorities for action in their District.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
1996	**13.** The District Health Boards (DHBs) cited need improvement in overseeing senior management and the Department of Health should work towards improving internal reporting to ensure that adequate and timely internal reports are prepared for their board.	**Partially implemented** (as at March 31, 2000). The majority of Boards now receive accurate and complete internal financial reports which include costs of services and activities. However, the Boards need to improve how they set direction and monitor the Districts' performance.
1996	PAC concurs: 9C.21 DHBs' management should recommend, for board of director approval, proper rules and procedures to safeguard and control their assets.	**Partially implemented** (as at March 31, 2000). The majority of Boards have approved proper rules and procedures. However, there are still a number of Boards that have not approved proper rules and procedures to safeguard and control their assets.
1996	PAC concurs: 9.51 Management of DHBs should establish and the directors should approve written policies and procedures to govern: • the proper authorization and recording of transactions; and • preparation of monthly financial reports.	**Partially implemented** (as at March 31, 2000). The majority of Boards have approved rules and procedures to govern the authorization and recording of transactions and the preparation of monthly financial statements. However, there are still a few Boards that have not approved these rules and procedures.
1996	PAC concurs: 9C.64 DHBs should establish written rules and procedures for systems development.	**Partially implemented** (as at March 31, 2000). The majority of Boards have established written rules and procedures for systems development. However, there are still a number of Boards that have not.
1996	PAC concurs: 9C.70 DHBs should have adequate operating agreements with each organization that provides services on behalf of the DHBs.	**Implemented in all but one agency** (as at March 31, 2000). We found one Board did not have adequate operating agreements.
1996	PAC concurs: 9C.91 DHBs should request the Minister's approval before purchasing hospital equipment costing more than the prescribed limit.	**Partially implemented** (as at March 31, 2000). Most Boards have requested the Minister's approval before purchasing hospital equipment. However, there are still several Boards that have not.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
1996	PAC concurs: 9C.94 DHBs should submit their budgets to the Minister on time.	**Partially implemented** (as at March 31, 2000). Almost all Boards submit their budgets to the Minister on time. We found two that did not.
1996	PAC concurs: 9C.136 DHBs should work with the Department, other DHBs and our Office to ensure DHBs are able to provide the Minister and the public the full range of required information.	**Partially implemented** (as at March 31, 2000). Districts have started to give more information to the Minister and the public. However, the information provided does not meet the full range of requirements in *The Health Districts Act*.
1996	**15.** The Department of Health consult with the District Health Boards on the issue of preparing lists of payees and the Government report the results of the consultation to the Standing Committee on Public Accounts.	**Partially implemented** (as at March 31, 2000). The Department has not provided a report to the Committee. Most Boards have prepared and published a list of their payees. However, some have not.
Second Report of PAC – 23rd Legislature – tabled April 22, 1997		
1997	PAC concurs: O.1 The Department (of Social Services) should provide workers with complete written guidance to carry out, record and revise case plans.	**Partially implemented** (as at March 31, 2000). The Department has considered and is continuing to consider our recommendations in its redesign and implementation of its social assistance programs.
1997	PAC concurs: O.2 The Department (of Social Services) should establish clear criteria to identify clients most likely to benefit from case planning.	**Partially implemented** (as at March 31, 2000). See O.1 above.
1997	PAC concurs: O.3 The Department (of Social Services) should provide a system that helps workers consistently record current case planning information and progress toward client goals.	**Partially implemented** (as at March 31, 2000). See O.1 above

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
1997	PAC concurs: O.4 When a system that captures the necessary information and consistently records case plans is in place, the Department (of Social Services) should evaluate the effects of case planning.	**Partially implemented** (as at March 31, 2000). See O.1 above
1997	**31.** Executive Council provide clarification as to the legislative powers of Crown corporation subsidiary companies, with respect to the selling of real property with a sale price exceeding $150,000.	**Not implemented** (as at December 31, 2000).
1997	PAC concurs: 8.33 The Department (of Health) should work with the DHBs to ensure they submit timely Health Plans.	**Not implemented** (as at March 31, 2000).
1997	**34.** The Department of Health should work with District Health Boards to ensure the District Health Boards submit all periodic reports on time.	**Partially implemented** (as at March 31, 2000). The Department has issued guidelines to the districts and we note the districts have improved the timing and quality of their quarterly financial reports. In our 2000 Fall Report – Volume 3, we note several of the districts did not submit quarterly financial reports to the Department on time. We also note districts' annual reports did not adequately show program performance compared to plans.
1997	PAC concurs: 8.49 The Department (of Health) should set written rules and procedures for preparing internal financial reports.	**Not implemented** (as at March 31, 2000).
1997	**36.** The Deputy Minister of Health should approve in writing the rules and procedures for internal financial reports.	**Not implemented** (as at March 31, 2000).

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
1997	PAC concurs: 8.112 In its annual report to the Legislative Assembly, the Department (of Health) should provide a summary of its financial and operational plan, performance targets, and actual results. This summary should include DHB plans, targets and results.	**Partially implemented** (as at March 31, 2000). In our 2000 Fall Report – Volume 3, we note the Department improved the quality of its *1999 Annual Report*. Our review of its annual report showed it sets out its operational goals, objectives and activities to achieve them. However, it does not state whether the Department achieved its goals and objectives. It does not include performance measures or targets for the Department. It does not show what the Department owns and controls.
1997	PAC concurs: 8.113 The Department (of Health) should also work towards providing the Assembly summary information on the costs of DHB services, the health status of residents, and the effectiveness of DHB programs.	**Partially implemented** (as at March 31, 2000). The Department's *1999 Annual Report* shows the costs of DHB services but does not show the health status of residents or the effectiveness of DHB programs.
1997	PAC concurs: 11.57 The Department (of Justice) should establish rules and procedures to monitor the costs of large contracts (re: the Correctional Facilities Industries Revolving Fund).	**Not implemented** (as at March 31, 2000).
1997	PAC concurs: 20.21 The Department (of Municipal Government) should require local governments to prepare their financial statements following the standards for local governments recommended by the CICA.	**Not implemented** (as at May 4, 2001). The Government proposed legislation that requires the adoption of CICA standards for the preparation of local government financial statements.
1997	PAC concurs: 20.63 Saskatchewan Archives Board should have written contracts with the U of S and SPMC.	**Not implemented** (as at March 31, 2000).

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
Third Report of PAC – 23rd Legislature – tabled April 19, 1999		
1999	**43.** The Department of Finance should pay allowances to surviving spouses as required by the members of *The Legislative Assembly Superannuation Act, 1979* or seek changes to the Act to allow these payments.	**Not implemented** (as at March 31, 2001).
1999	**44.** The Department of Finance should seek changes to *The Members of the Legislative Assembly Superannuation Act, 1979,* to provide direction for the handling of profits or losses from annuity underwriting.	**Not implemented** (as at March 31, 2001).
1999	PAC concurs: 10.29 Pension plans' statements of investment objectives should include a clear assessment of the risk level acceptable to plan members and the Government. Pension plans' investment objectives should be based on the risk level acceptable to plan members and the Government.	**Partially implemented** (as at December 31, 2000). Pension plans' statements of investment objectives continue to generally improve.
1999	PAC concurs: 10.63 The Government should continue to improve the content of its pension plans' annual reports.	**Partially implemented** (as at December 31, 1999). Pension plans continue to improve the content of their annual reports but more work is needed. We plan to review the progress pension plans have made in improving their annual reports in 2001-2002.
1999	PAC concurs: 10.67 The Government should study the legislation for its pension plans to decide what type of information should be provided in annual reports and whether it is appropriate for that information to be more consistent. If more consistency in the type of information is not considered appropriate, the Government should explain why.	**Not implemented** (as at December 31, 1999). We will review pension plans' annual reports in 2001-2002.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
1999	**47.** The Department of Finance look at what measures could be taken to ensure complete compliance with the Provincial Auditor's recommendation that all Government's pension plan annual reports be tabled in the Legislative Assembly.	**Partially implemented** (as at December 31, 2000). Saskatchewan Government Insurance Superannuation Plan and Saskatchewan Telecommunications Pension Plan need to prepare annual reports for their pension plans. Currently, these plans table only financial statements with the Legislative Assembly.
1999	PAC concurs: 23.16 Districts should set clear direction based on priority health needs in the context of other pressures on the district. The direction set should include goals, specific objectives and performance targets for short and long-term improvements in population health as well as health service needs.	**Partially implemented** (as at March 31, 2000). Districts are working to set clear direction through goals, objectives, and measures. Few Districts have set performance targets.
1999	PAC concurs: 24.92 The directors, with the help of senior management, should define and document their periodic financial reporting requirements to ensure they receive suitable and timely reports for decision-making. 24.93 The [Board of Governors, Uranium City] Hospital should improve its internal financial reports to include: - a full set of financial statements including reports that show what the Board owns and what it owes, and its revenues and its expenditures; - a comparison of actual results for the period to budgeted results for the period using the accrual basis of accounting; - an explanation of major variances between year-to-date actual and year-to-date budget; - a projection of revenue and expenses to the end of the year based on current information; and actual amounts of the prior year for comparison purposes. 24.94 The [Board of Governors, Uranium City Hospital] Hospital should establish a process to ensure the accuracy and reliability of its accounting records.	**Not implemented** (as at March 31, 2000).

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
	24.95 The [Board of Governors, Uranium City Hospital] Hospital's annual financial statements should present a comparison of actual results with planned results.	
1999	PAC concurs: 24.104 The [Board of Governors, Uranium City] Hospital should pay Board members using rates authorized by Order in Council.	**Not implemented** (as at March 31, 2000).
1999	PAC concurs: 24.107 The Board [of directors] should submit to the Minister the monthly information required by *The Hospital Standards Act*.	**Not implemented** (as at March 31, 2000).
1999	PAC concurs: 12.20 The [Agricultural and Food Products Development and Marketing] Council should require its marketing and development agencies to provide producers with annual reports containing audit reports on each agency's: financial statements; rules and procedures to safeguard and control its assets; and compliance with authorities. 12.21 The [Agricultural and Food Products Development and Marketing] Council should require its marketing and development agencies to provide a comparison of actual results to planned results in each agency's audited financial statements; and to include as a supplement to each agency's annual report a list of persons who received money from the agency and the amount. This list should be available to producers upon request.	**Partially implemented** (as at March 31, 2001). In our 1998 Spring Report we note the Department of Agriculture and Food, the Council and our Office made a number of joint recommendations to improve accountability and reporting practices for the marketing boards. In its Third Report of the 23rd Legislature, tabled in April 1999, PAC concurred with all of the joint recommendations. In our 1999 Fall Report – Volume 2, we state we are pleased with the Department's progress in addressing these recommendations. We indicate that we will continue to monitor their implementation.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
	12.22 The [Agricultural and Food Products Development and Marketing] Council after consultation with each marketing and development agency should decide what categories of persons should be disclosed and the threshold amounts that require disclosure to ensure appropriate accountability. 12.23 On receiving these annual reports and supplementary reports, the [Agricultural and Food Products Development and Marketing] Council should review the reports to ensure they include all required information and follow up on areas requiring the Council's attention. 12.24 The [Agricultural and Food Products Development and Marketing] Council's annual report to the Assembly should include summary financial information to show the total activities of the agencies under the supervision of the [Agricultural and Food Products Development and Marketing] Council and that the content of the summary financial information be determined in consultation with the Department and the Provincial Auditor.	
1999	PAC concurs: 11.62 The [Regional] Colleges' internal reports should show the cost of services and activities, whether the services provided achieved the intended outcomes, and the degree of compliance with the law and other authorities.	**Partially implemented** (as at June 30, 2000). The Regional Colleges are making progress on improving performance measurement and reporting. The Colleges continue to work on identifying key performance measures and developing systems to track information on them.
1999	**59.** In consideration of the recommendation made at paragraphs 18.21, 18.22, 18.23 and 18.24, concerning the reporting responsibilities and expectations the Department of Education has for school divisions under Section 282 of the *Education Act, 1995*, your Committee recommends the following to the Legislative Assembly:	**Not implemented** (as at March 31, 2001). The Department plans to collaboratively develop the education sector framework as part of the implementation of the government-wide accountability framework.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
	The Department of Education should continue working with the locally elected school boards and other stakeholders to improve public accountability of school divisions with respect to the goals of education.	
1999	**60.** The Department should require school divisions to prepare their financial statements following the standards recommended by the [The Institute Chartered of Accountants] CICA.	**Partially implemented** (as at March 31, 2001). The Department has approved in principle the draft Saskatchewan Association of School Business Officers Manual. This manual requires school division to prepare its financial statements following CICA generally accepted accounting principles.
1999	**61.** Your committee concurs with recommendation 3-3, and recommends to the Legislative Assembly the following: The Department of Education should continue to improve the contents of its annual reports.	**Not implemented** (as at March 31, 2001).
1999	PAC concurs: 14.21 The Department [of Environment & Resource Management] should define and document its operational and compliance reporting requirements.	**Not implemented** (as at March 31, 2000).
1999	PAC concurs: 14.22 The Department [of Environment & Resource Management] should follow its established rules and procedures for preparing all of its internal financial reports.	**Partially implemented** (as at March 31, 2000). During 1999-2000, the Department implemented a new financial management system to help prepare internal financial reports that are consistent with its established rules and procedures.
1999	PAC concurs: 14.29 The Department [of Environment & Resource Management] should keep complete records of its capital assets. The Department [of Environment & Resource Management] should also: - periodically reconcile its capital assets records to its financial records; - determine if the risk of loss of its capital assets is at an acceptable level; and - include information about its capital	**Partially implemented** (as at March 31, 2000). During 1999-2000, the Department reconciled capital asset additions in its capital asset records to its financial records. The Department now provides information about its capital asset purchases in its 1999-2000 annual report. The Department also inspected a sample of capital assets to ensure the Department's records are complete. It also inspected a sample of capital assets from its records to ensure that the items existed. However, these

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
	assets in its annual report.	procedures were not sufficient to ensure the capital asset records agreed to the financial records.
1999	**62.** In consideration of the recommendation made at paragraph 1.48, that all government agencies should make public a list of persons who have received money from them, your Committee makes the following recommendation to the Legislative Assembly: The Provincial Controller work co-operatively with the agencies involved, the affected departments and the Provincial Auditor, to develop a process that will achieve the required degree of public disclosure and report back to the Public Accounts Committee.	**Partially implemented** (as at March 31, 2000). Many government organizations do not make public a list of persons who have received money from them. In Chapter 15 of our 1999 Fall Report – Volume 2 and in Chapter 14 of our 2000 Fall Report – Volume 3, we set out the process we recommend that PAC and the Standing Committee on Crown Corporations should follow when deciding the required public disclosure for government agencies. On June 22, 2000, the Provincial Comptroller tabled a report with PAC setting out his views on a process to achieve the required degree of public disclosure.
1999	**63.** In consideration of recommendation 19-1, concerning the collection of anonymous donations from political parties by the Elections Office, it was moved by Mr. Shillington: The Electoral office consider the option posed by the Provincial Auditor, which is to request that the Board of Revenue of Commissioners cancel the collection of any anonymous donations for 1996 and the six prior calendar years.	**Not implemented** (as at March 31, 2000).
1999	PAC concurs: 21.28 The Department [of Justice] should base its contingency plan on an analysis of the risks and the importance of each program and service. 21.29 The Department [of Justice] should test and approve its contingency plan and then store it in a safe place.	**Not implemented** (as at March 31, 2000).

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
1999	PAC concurs: 11.29 The Department [of Justice] should document and consistently apply its rules and procedures to ensure all estimates and customer quotes for large contracts are reviewed and approved by a second person.	**Not implemented** (as at March 31, 2000).
1999	PAC concurs: 7-1 We recommend the Department [of Justice] should improve its procedures for ensuring the accuracy and integrity of its court information system.	**Not implemented** (as at March 31, 2000).
1999	**65.** That the Department of Justice should review its procedures for collecting fines and further, that procedures be developed to ensure that when repeat offenders appear in court, the sentencing Judge will be informed if previous fines are unpaid.	**Partially implemented** (as at March 31, 2000). The Department has reviewed its procedures and has decided it is not practical to ensure that when repeat offenders appear in court, the sentencing Judge will be informed if previous fines are unpaid.
1999	PAC concurs: 14.1 We recommend that the Department of Labour should continue to improve its annual report.	**Not implemented** (as at March 31, 2000).
1999	**67.** In consideration of recommendation 10-2, concerning the inability of the Auditor's office to discharge its duty with respect to the First Nations Fund, your committee noted that there had been no progress towards resolution of this issue since it was first raised in Chapter 9 of the Spring 1998 Report of the Provincial Auditors (see above). After careful consideration of the issues surrounding this dispute, your Committee came to the conclusion that legislative changes are necessary. Therefore, you Committee recommends the following to the Legislative Assembly: That the Public Accounts Committee recommend that Legislation be amended to clarify the responsibilities of the trustees of the First Nations Fund and to	**Not implemented** (as at December 31, 2000). Legislation has not been amended. However, in December 2000, we received full access to the Fund's accounts and the appointed auditor's files.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
	have the fund audited in accordance with the requirements of the Provincial Auditor.	
1999	PAC concurs: 15.24 The [Regional] colleges should prepare, test, and approve a written contingency plan.	**Partially implemented** (as at June 30, 2000). One Regional College needs to improve its contingency planning.
1999	**68.** The Department of Post secondary Education and Skills training should verify critical information on student loan applications.	**Partially implemented** (as at March 31, 2001). The Department has improved its procedures for verifying some of the critical information on student loan applications. However, the Department needs to improve how it verifies other critical information on student loan applications.
1999	**70.** The Department of Post Secondary Education and Skills Training bring its planning efforts that focus on components of the Post-Secondary Education and Skills Training sector, then report publicly against this sector-wide plan.	**Partially implemented** (as at March 31, 2001). The Department has prepared a draft sector strategic plan.
1999	**71.** The Department of Post secondary education and Skills Training should continue to improve its annual report.	**Partially implemented** (as at March 31, 2001). The Department's 2000 Annual Report incorporates clearer objectives and some performance measures.
1999	PAC concurs: 15-1 We recommend the [Public Service Commission] PSC continue to improve its annual report.	**Partially implemented** (as at March 31, 2000). PSC does not yet report on its outcomes achieved.
1999	PAC concurs: 9-2 We continue to recommend the [Saskatchewan Liquor and Gaming] Authority should update its written contingency plan and test the plan.	**Partially implemented** (as at March 31, 2000). Since 1999-2000, Saskatchewan Liquor and Gaming Authority has made progress in updating their contingency plan but they need to test their plan.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
1999	PAC concurs: 9-3 We continue to recommend the [Saskatchewan Liquor and Gaming] Authority should fully document its rules and procedures for its computer systems operations and ensure staff understand those rules and procedures.	**Partially implemented** (as at March 31, 2000). Since 1999-2000, Saskatchewan Liquor and Gaming Authority still has not fully documented its computer procedures and rules.
1999	**90.** Your committee concurs with the recommendation 21-8, and recommends the following to the Legislative Assembly: The Government should table the financial statements of the Northern Enterprise Fund Inc. in the Legislative Assembly.	**Not implemented** (as at December 31, 2000).
1999	**97.** In consideration of the recommendation made at paragraph 2.29, concerning the question of public disclosure of persons (other than injured workers) who receive money from the [Workers' Compensation Board] WCB, your Committee recommends the following to the Legislative Assembly: The [Workers' Compensation Board] WCB work co-operatively with the Provincial Auditor to consider alternative public disclosure requirements and report back to the Public Accounts Committee at a future meeting.	**Not implemented** (as at December 31, 2000). We have met with WCB's management to discuss alternative public disclosure requirements for the WCB's payee information. The WCB's management told us the WCB does not consider payee information an effective accountability tool. Management also told us the better alternative is for our Office to provide assurance to the Legislative Assembly on the WCB' specific rules and procedures for buying goods and services and setting salary grids for staff and management. While we agree Members of the Legislative Assembly (MLAs) would find this information useful, we do not think this information alone would be sufficient to meet the MLAs objectives for wanting payee information.
1999	PAC concurs: 22.48 In its annual report to the Legislative Assembly, the Department [of Social Services] should describe how the Department manages the key issues it faces.	**Not implemented** (as at March 31, 2000).

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
1999	PAC concurs: 22.49 The annual report should provide a summary of the Department's [of Social Services] financial and operational plans, performance targets, and actual results.	**Not implemented** (as at March 31, 2000).
1999	PAC concurs: 8-1 We recommend the Department [of Social Services] should improve its records and document its procedures to ensure single parents receiving social assistance pursue child support.	**Not implemented** (as at March 31, 2000).
1999	PAC concurs: 8-3 We recommend that the Department [of Social Services] should ensure that CBOs submit financial reports to the Department and submit them on time as required.	**Partially implemented** (as at March 31, 2000). Several CBOs still do not submit financial reports to the Department on time as required.
1999	PAC concurs: 2.22 The [Workers' Compensation Board] WCB should continue to improve its published annual report by including: clear measurable objectives; a comparison of key performance indicators and targets to its actual results; and a discussion and analysis of its success to date in achieving its goals and objectives.	**Not implemented** (as at December 31, 2000). We plan to review WCB's 2000 annual report in 2001-2002.

Exhibit 2 – List of Recommendations that the Standing Committee on Public Accounts requested the Legislative Assembly to refer to the Standing Committee on Crown Corporations

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
Second Report of PAC – 23rd Legislature – tabled April 22, 1997		
1997	**17.** The Legislative Assembly request the Standing Committee on Crown Corporations to examine whether the Crown Investments Corporation of Saskatchewan should ensure that the Government's public policy objectives for CIC and Part II Crown corporations are clearly defined and presented to the Legislative Assembly for scrutiny.	**Partially implemented** (as at December 31, 2000). In 1997, CIC introduced the Balanced Scorecard as a performance measurement tool. Each corporation sets objectives, including public policy objectives. *CIC's 1998 Annual Report* notes that once objectives, measures and targets are developed and approved, the Balanced Scorecard will be used to communicate, review, update and promote each Crown's performance. In 2000, CIC introduced a *Performance Reporting and Disclosure Policy for Annual Reports of CIC and Subsidiary Crown Corporations*. The policy, expected to be fully implemented for 2002 annual reports, establishes minimum standards of annual report disclosure that should enable legislators and the public to better understand and assess the performance of CIC and its subsidiary Crowns via the Balanced Scorecard.
1997	**18.** The Legislative Assembly request the Standing Committee on Crown Corporations to examine whether the Crown Investments Corporation of Saskatchewan should provide a summary of its plans and its subsidiaries to the Assembly for use by the Standing Committee on Crown Corporations.	**Partially implemented** (as at December 31, 2000). In 1997, CIC introduced the Balanced Scorecard as a performance measurement tool. Each corporation sets objectives. *CIC's 1998 Annual Report* notes that once objectives, measures and targets are developed and approved, the Balanced Scorecard will be used to communicate, review, update and promote each Crown's performance. In 2000, CIC introduced a *Performance Reporting and Disclosure Policy for Annual Reports of CIC and Subsidiary*

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
		Crown Corporations. The policy, expected to be fully implemented for 2002 annual reports, establishes minimum standards of annual report disclosure that should enable legislators and the public to better understand and assess the performance of CIC and its subsidiary Crowns via the Balanced Scorecard.
1997	**19.** The Legislative Assembly request the Standing Committee on Crown Corporations to examine whether the annual reports of the Crown Investments Corporation of Saskatchewan and its subsidiary Crown corporations should contain a comparison of planned activities to actual results.	**Partially implemented** (as at December 31, 2000). In 1997, CIC introduced the Balanced Scorecard as a performance measurement tool. Each corporation sets objectives. *CIC's 1998 Annual Report* notes that once objectives, measures and targets are developed and approved, the Balanced Scorecard will be used to communicate, review, update and promote each Crown's performance. In 2000, CIC introduced a *Performance Reporting and Disclosure Policy for Annual Reports of CIC and Subsidiary Crown Corporations*. The policy, expected to be fully implemented for 2002 annual reports, establishes minimum standards of annual report disclosure that should enable legislators and the public to better understand and assess the performance of CIC and its subsidiary Crowns via the Balanced Scorecard.
Third Report of PAC – 23rd Legislature – tabled April 19, 1999		
1999	**41.** The Legislative Assembly refer the subject matter of the Provincial Auditor's recommendations made in Chapter 6 of the Fall 1996 Report of the Provincial Auditor to the Standing Committee on Crown Corporations for its review and consideration, as they relate to the Crown Investments Corporation of Saskatchewan, its subsidiaries, and agencies. Of the recommendations included in that chapter, the following recommendation have not been fully implemented.	

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
	6.16 All government agencies should make public a list of persons who have receive money from them.	**Not implemented** (as at December 31, 2000).
1999	**50.** The Legislative Assembly refer the subject matter of the Provincial Auditor's recommendation made at paragraph 4.14 of the Fall 1996 Report of the Provincial Auditor to the Standing Committee on Crown Corporations or its review and consideration. 4.14 [Crown Investments Corporation] CIC should continue to improve its annual report and the annual reports of its subsidiaries by including full comparisons of planned to actual results.	**Partially implemented** (as at December 31, 2000). In 1997, CIC introduced the Balanced Scorecard as a performance measurement tool. Each corporation sets objectives. *CIC's 1998 Annual Report* notes that once objectives, measures and targets are developed and approved, the Balanced Scorecard will be used to communicate, review, update and promote each Crown's performance. In 2000, CIC introduced a *Performance Reporting and Disclosure Policy for Annual Reports of CIC and Subsidiary Crown Corporations*. The policy, expected to be fully implemented for 2002 annual reports, establishes minimum standards of annual report disclosure that should enable legislators and the public to better understand and assess the performance of CIC and its subsidiary Crowns via the Balanced Scorecard.
1999	**51.** The Legislative Assembly refer the subject matter of the Provincial Auditor's recommendation made at paragraph 4.18 of the Fall 1996 Report of the Provincial Auditor to the Standing Committee on Crown Corporations for its review and consideration. 4.18 [Crown Investments Corporation] CIC and its subsidiary Crown corporations should provide the Assembly with a list of persons who received public money.	**Not implemented** (as at December 31, 2000).
1999	**52.** The Legislative Assembly refer the subject matter of the Provincial Auditor's recommendation made at paragraphs 4.23, 4.31, 4.38, 4.53, 4.104 and 4.109 of the Fall 1996 Report of the Provincial Auditor to the Standing Committee on Crown Corporations for its review and consideration.	

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
	Of these recommendations, the following recommendations have not been fully implemented.	
	4.104 We continue to recommend CIC should ensure public policy objectives for CIC and its subsidiary Crown corporations are prepared and presented to the Crown Corporations Committee for review.	**Partially implemented** (as at December 31, 2000). In 1997, CIC introduced the Balanced Scorecard as a performance measurement tool. Each corporation sets objectives, including public policy objectives. *CIC's 1998 Annual Report* notes that once objectives, measures and targets are developed and approved, the Balanced Scorecard will be used to communicate, review, update and promote each Crown's performance. In 2000, CIC introduced a *Performance Reporting and Disclosure Policy for Annual Reports of CIC and Subsidiary Crown Corporations*. The policy, expected to be fully implemented for 2002 annual reports, establishes minimum standards of annual report disclosure that should enable legislators and the public to better understand and assess the performance of CIC and its subsidiary Crowns via the Balanced Scorecard.
	4.109 We continue to recommend CIC should establish and document standard assumptions for use by its subsidiary Crown corporations.	**Not implemented** (as at December 31, 2000).
1999	PAC concurred with our original recommendation, then subsequently requested the Legislative Assembly to refer the following subsequent recommendation on the same matter to the Standing Committee on Crown Corporations. 8.30 [Crown Investments Corporation] CIC should continue to improve its annual report and the annual reports of its subsidiaries by including full comparisons of planned to actual results.	**Partially implemented** (as at December 31, 2000). In 1997, CIC introduced the Balanced Scorecard as a performance measurement tool. Each corporation sets objectives. *CIC's 1998 Annual Report* notes that once objectives, measures and targets are developed and approved, the Balanced Scorecard will be used to communicate, review, update and promote each Crown's performance. In 2000, CIC introduced a *Performance Reporting and Disclosure Policy for*

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
		Annual Reports of CIC and Subsidiary Crown Corporations. The policy, expected to be fully implemented for 2002 annual reports, establishes minimum standards of annual report disclosure that should enable legislators and the public to better understand and assess the performance of CIC and its subsidiary Crowns via the Balanced Scorecard.
1999	PAC concurred with our original recommendation, then subsequently requested the Legislative Assembly to refer the following subsequent recommendation on the same matter to the Standing Committee on Crown Corporations. 8.37 [Crown Investments Corporation] CIC and its subsidiaries should: publish a list of persons who received money from them and the amounts the persons received following the PAC's current minimum disclosure amounts; or discuss different public disclosure requirements with the PAC or, if the Assembly so directs, with the Crown Corporations Committee.	**Not implemented** (as at December 31, 2000).
1999	**74.** The Legislative Assembly refer the subject matter of the Provincial Auditor's recommendation made at paragraph 6.30 of the Fall 1997 Report of the Provincial Auditor (Volume 2) to the Standing Committee on Crown Corporations for its review and consideration. 6.30 SaskEnergy should provide the Assembly with a list of persons who received public money and the amounts.	**Not implemented** (as at December 31, 2000).
1999	**76.** The Legislative Assembly refer the subject matter of the Provincial Auditor's recommendation made at paragraph 11.19 of the Fall 1997 Report of the Provincial Auditor (Volume 2) to the Standing Committee on Crown Corporations for its review and consideration. 11.19 The [Saskatchewan Government Growth Fund Management] Corporation should include comparisons of planned to actual results in its own annual report and in the annual reports of the fund companies.	**Not implemented** (as at December 31, 2000).

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
1999	**77.** The Legislative Assembly refer the subject matter of the Provincial Auditor's recommendation made at paragraph 11.23 of the Fall 1997 Report of the Provincial Auditor (Volume 2) to the Standing Committee on Crown Corporations for its review and consideration. 11.23 The [Saskatchewan Government Growth Fund Management] Corporation should provide the Assembly with a list of persons who received public money and the amounts.	**Not implemented** (as at December 31, 2000).
1999	**78.** The Legislative Assembly refer the subject matter of the Provincial Auditor's recommendation made at paragraph 7.29 of the Spring 1998 Report of the Provincial Auditor to the Standing Committee on Crown Corporations for its review and consideration, to determine whether SGI, the Saskatchewan Auto Fund and SGI Canada Insurance Service Ltd. should include a comparison of planned performance to actual results in their annual reports.	**Partially implemented** (as at December 31, 2000). In 1997, CIC introduced the Balanced Scorecard as a performance measurement tool. Each corporation sets objectives. *CIC's 1998 Annual Report* notes that once objectives, measures and targets are developed and approved, the Balanced Scorecard will be used to communicate, review, update and promote each Crown's performance. In 2000, CIC introduced a *Performance Reporting and Disclosure Policy for Annual Reports of CIC and Subsidiary Crown Corporations*. The policy, expected to be fully implemented for 2002 annual reports, establishes minimum standards of annual report disclosure that should enable legislators and the public to better understand and assess the performance of CIC and its subsidiary Crowns via the Balanced Scorecard.
1999	**79.** The Legislative Assembly refer the subject matter of the Provincial Auditor's recommendation made at paragraph 7.35 of the Spring 1998 Report of the Provincial Auditor to the Standing Committee on Crown Corporations for its review and consideration, to examine whether SGI, Saskatchewan Auto Fund and SGI Canada Insurance Service Ltd. Should publish a list of persons who received money from them and amounts the person received.	**Not implemented** (as at December 31, 2000).

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
1999	**80.** The Legislative Assembly refer the subject matter of the Provincial Auditor's recommendation made at paragraph 5.18 of the Spring 1998 Report of the Provincial Auditor to the Standing Committee on Crown Corporations and ask should the Saskatchewan Opportunities Corporation ensure its annual report include a comparison of planned and to actual results. 5.18 [Saskatchewan Opportunities Corporation] SOCO should ensure its annual report includes a comparison of planned results to actual results.	**Partially implemented** (as at December 31, 2000). In 1997, CIC introduced the Balanced Scorecard as a performance measurement tool. Each corporation sets objectives. *CIC's 1998 Annual Report* notes that once objectives, measures and targets are developed and approved, the Balanced Scorecard will be used to communicate, review, update and promote each Crown's performance. In 2000, CIC introduced a *Performance Reporting and Disclosure Policy for Annual Reports of CIC and Subsidiary Crown Corporations*. The policy, expected to be fully implemented for 2002 annual reports, establishes minimum standards of annual report disclosure that should enable legislators and the public to better understand and assess the performance of CIC and its subsidiary Crowns via the Balanced Scorecard.
1999	**81.** The Legislative Assembly refer the subject matter of the Provincial Auditor's recommendation made at paragraph 5.21 of the Spring 1998 Report of the Provincial Auditor to the Standing Committee on Crown Corporations for its review and consideration, to determine whether Saskatchewan Opportunities Corporation should publish a complete list of persons who received money from them and the amounts the persons received.	**Not implemented** (as at December 31, 2000).
1999	**82.** The Legislative Assembly refer the subject matter of the Provincial Auditor's recommendation made at paragraphs 1.49 and 1.52, of the Spring 1998 Report of the Provincial Auditor to the Standing Committee on Crown Corporations for its review and consideration. Of these recommendations, the following recommendation has not been fully implemented.	

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
	1.52 SaskPower and its subsidiaries should: publish a list of persons who received money from them and the amounts the persons received following the PAC's current minimum disclosure amounts; or discuss different public disclosure requirements with the PAC or, if the Assembly so directs, with the Crown Corporations Committee.	**Not implemented** (as at December 31, 2000).
1999	**93.** The Legislative Assembly refer the subject matter of the Provincial Auditor's recommendation made at paragraph 6.30 of the Spring 1998 Report of the Provincial Auditor to the Standing Committee on Crown Corporations for its review and consideration, to examine whether (SaskTel) Holdco should continue to improve its annual report to clearly report on the achievement of its plan.	**Partially implemented** (as at December 31, 2000). SaskTel Holdco is making improvements to its annual report consistent with the requirements of CIC's Public Reporting and Disclosure Policy for Annual Reports of CIC subsidiary Crown corporations.
1999	**95.** The Legislative Assembly refer the subject matter of the Provincial Auditor's recommendation made at paragraph 6.40 of the Spring 1998 Report of the Provincial Auditor to the Standing Committee on Crown Corporations for its review and consideration, to examine whether (SaskTel) Holdco and its subsidiaries should publish a list of persons who received money from them and amounts the persons received.	**Not implemented** (as at December 31, 2000).
1999	**96.** The Legislative Assembly refer the subject matter of the Provincial Auditor's recommendation made at paragraph 4.32 of the Spring 1998 Report of the Provincial Auditor to the Standing Committee on Crown Corporations for its review and consideration. 4.32 [Saskatchewan Transportation Corporation] STC should: publish a list of person who received money from them and the amounts the persons received following the PAC's current minimum disclosure amounts; or discuss different public disclosure requirements with the PAC or, if the Assembly so directs, with the Crown Corporations Committee.	**Not implemented** (as at December 31, 2000).

This page left blank intentionally.

Crown Investments Corporation of Saskatchewan

11

Executive summary **200**

Introduction **201**

Our audit conclusions and findings **202**

Approval needed to acquire assets 202

Public accountability information 203

List of persons who received public money 203

Approval for purchasing and selling shares 206

Exhibit 1 – Subsidiaries, corporations, and pension plans under CIC's control at December 31, 2000 ..... **208**

Exhibit 2 – Suggested criteria for MLAs' use in deciding what information government agencies should disclose and to whom **210**

Executive summary

Crown Investments Corporation of Saskatchewan (CIC) is the holding company for many of Saskatchewan's Crown corporations such as Saskatchewan Power Corporation (SaskPower), SaskEnergy Incorporated (SaskEnergy), and (Saskatchewan Telecommunications Holding Corporation (SaskTel). CIC is responsible for establishing the strategic direction for these corporations and for monitoring their performance. It is also responsible for managing a diverse portfolio of investments.

In this chapter, we report the results of the audit of CIC for the year ended December 31, 2000 and six other entities it controls. For each entity, we concluded that the financial statements are reliable, the systems of internal control are functioning adequately; and with one exception, the governing authorities have been complied with. The exception is that CIC did not obtain Order in Council approval before its subsidiary Saskatchewan Valley Potato Corporation acquired real property from Saskatchewan Water Corporation.

This chapter also describes matters related to the public accountability of CIC and its subsidiary Crown corporations.

We continue to recommend that CIC and its subsidiaries should give the Legislative Assembly a list of persons who received public money from them, or seek direction on alternate disclosure requirements from the Standing Committee on Crown Corporations (Crown Corporations Committee).

Also, we continue to recommend that the Government should change the law to:

- require subsidiaries of Crown corporations to obtain Order in Council approval before purchasing shares; and

- require Crown corporations and their subsidiaries to report the sale of shares to the Crown Corporations Committee within 90 days of the transaction.

Introduction

Crown Investments Corporation of Saskatchewan (CIC) is the holding company for many of Saskatchewan's Crown corporations such as Saskatchewan Power Corporation (SaskPower), SaskEnergy Incorporated (SaskEnergy), and (Saskatchewan Telecommunications Holding Corporation (SaskTel). CIC is responsible for establishing the strategic direction for these corporations and for monitoring their performance. It is also responsible for managing a diverse portfolio of investments. Management of CIC advises CIC's Board of Directors about the entities under CIC's control. In turn, CIC's Board provides advice about these entities to Executive Council (Cabinet). A complete list of these entities is provided in Exhibit 1 at the end of this chapter.

In this chapter, we report on the following entities:

- CIC (includes CIC Industrial Interests Inc. (CIC III));
- CIC Pulp Ltd., which holds CIC's investment in Meadow Lake Pulp Limited Partnership;
- CIC Foods Inc., which holds CIC's investment in Centennial Foods Partnership;
- Genex Swine Group Inc., a swine genetics company;
- Saskatchewan Valley Potato Corporation (SVPC), a potato production and storage company;
- 10102875 Saskatchewan Ltd., which holds CIC's investment in Foragen Technologies Management Inc.; and
- Capital Pension Plan (Plan), a multi-employer pension plan.

CIC's *2000 Annual Report* contains three sets of financial statements. The first set shows CIC's financial results consolidated with those of its subsidiaries. The second set shows the financial results of activities of CIC, the legal entity. The third set shows the financial results of activities that CIC manages through its subsidiary CIC III.

The first (consolidated) set of financial statements shows CIC had revenue of $3.2 billion in 2000, net income of $293 million, and held assets of $7.6 billion at December 31, 2000.

Our audit conclusions and findings

Our Office worked with the following appointed auditors using the framework recommended in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (to view this report, see our website at http://www.auditor.sk.ca/rrd.html).

CIC	Deloitte & Touche
CIC Pulp Ltd.	Ernst & Young
CIC Foods Inc.	Ernst & Young
Genex Swine Group Inc.	PricewaterhouseCoopers
SVPC	KPMG
Capital Pension Plan	KPMG

For each of these entities, the appointed auditor and our Office formed the opinions below.

In our opinion, for the year ended December 31, 2000:

- **the financial statements of these entities are reliable;**
- **these entities had adequate rules and procedures to safeguard and control their assets; and**
- **these entities complied with authorities governing their activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing, except as described in this chapter.**

This chapter also describes matters related to the public accountability of CIC and its subsidiary Crown corporations.

CIC created 10102875 Saskatchewan Ltd. during 2000. We did not audit the company because it had not completed a full year of activity.

Approval needed to acquire assets

CIC's subsidiary Saskatchewan Valley Potato Corporation acquired real property without obtaining Order in Council approval.

CIC's legislation requires it to obtain Order in Council approval before it acquires or sells real property for a price exceeding $200,000. However, CIC's legislation does not explicitly state that CIC should obtain Order in Council approval before purchasing or selling real property through its subsidiaries.

In our opinion, a subsidiary of a parent corporation does not have greater powers than its parent. If a parent company could simply incorporate a subsidiary company to do something that the parent itself was not permitted to do, it would defeat the purpose of the Legislative Assembly imposing any limitations on the parent.

In June 2000, CIC obtained Order in Council approval for the purchase of approximately $17 million of potato business assets (mainly real property) from Saskatchewan Water Corporation (Sask Water). CIC created a subsidiary, Saskatchewan Valley Potato Corporation (SVPC) to hold CIC's potato business assets.

In December 2000, SVPC purchased the remainder of Sask Water's potato business assets (mainly real property) valued at $5 million without Order in Council approval. If CIC had acquired these assets directly from Sask Water, CIC's legislation would have required CIC to obtain Order in Council approval. Therefore, in our opinion, CIC should have obtained Order in Council approval for the purchase of real property that it acquired indirectly through its subsidiary, SVPC.

1. **We recommend that the Government should clarify the law to require CIC and its Crown corporations to obtain Order in Council approval before purchasing or selling real property through a subsidiary.**

Public accountability information

List of persons who received public money

CIC and its subsidiaries did not give the Legislative Assembly a list of persons who received public money in 2000.

Public disclosure is important for three reasons. First, public disclosure serves to remind all government officials they are spending money that is

entrusted to them by the public. Second, public disclosure adds rigour to decision-making as it ensures those who spend public money know their use of that money will be public. Third, public disclosure ensures the public knows who has received their money.

We believe that Members of the Legislative Assembly (MLAs) have the following three objectives for requiring public disclosure of those persons who receive money from a government agency (e.g., department, Crown corporation).

- MLAs want to monitor who gives money to political parties and who gets money from government agencies;
- MLAs want to ensure government agencies spend money objectively; and
- MLAs want to build public confidence by ensuring the use of public money is transparent.

To achieve these objectives, the Assembly, through the Standing Committee on Public Accounts (PAC), has established the following general standard of public disclosure of those who received money from government agencies. In addition, the Assembly wants this information tabled in the Assembly:

- persons who received salaries, wages, honorariums and compensation for personal services of $2,500 or more during the year;
- suppliers of goods and services who received more than $20,000 per year; and
- persons who received transfer payments of more than $5,000 per year.

The Assembly has allowed some exceptions, e.g., payments to social assistance recipients, Workers' Compensation Board payments to injured workers and cases where PAC advised that this information was not necessary to achieve the MLAs' objectives. Also, the Assembly has

decided that some payments (e.g., those made to MLAs) should have more disclosure than the general standard.

In February 1998, PAC discussed its previous recommendation regarding agencies publishing lists of persons who have received money from them. PAC agreed the spirit of accountability is of fundamental importance for government. Also, PAC noted that circumstances for every government agency may be unique and may vary, and that broad recommendations that blanket all agencies are not appropriate.

In previous reports, we have recommended that CIC and its subsidiaries should:

- publish a list of persons (e.g., employees, suppliers) who received money from them and the amounts the persons received following PAC's current disclosure requirements; or

- seek direction on alternate disclosure requirements from PAC or, if the Assembly so directs, from the Crown Corporations Committee.

In its Third Report of the 23rd Legislature, PAC recommended that the Assembly refer this issue to the Crown Corporations Committee for review and consideration, as it relates to CIC and its subsidiaries. The Assembly concurred with PAC's Third Report, but has not yet ordered referral of this matter to the Crown Corporations Committee. However, proposed amendments to *The Provincial Auditor Act* provide that the parts of our reports relating to CIC and its subsidiaries are deemed to be referred to the Crown Corporations Committee.

CIC and its subsidiaries account for 40% of the Government's spending. If MLAs do not receive information on who received this money, their objectives for requiring public disclosure of persons who receive money from government agencies cannot be met. If their objectives are not being met, it defeats the purpose of incurring the cost to produce this information for the other 60% of the Government's spending.

Exhibit 2 at the end of this chapter contains criteria that MLAs can use for deciding what information government agencies should disclose and to whom. We note that the Crown Corporations Committee currently requests and receives some information about spending by CIC and its

subsidiaries, such as expenses for out-of-province travel and payments to board members, senior management and consultants.

2. **We recommend that CIC and its subsidiaries should:**

   - **publish a list of persons (e.g., employees, suppliers) who have received money from them and the amounts the persons received, following the Assembly's current disclosure requirements; or**

   - **seek direction from the Crown Corporations Committee on alternate disclosure requirements that will achieve legislators' objectives for requiring this information.**

3. **We recommend that the Crown Corporations Committee should follow the process set out in Exhibit 2 for deciding what information government agencies should disclose and to whom.**

Approval for purchasing and selling shares

Previously, we recommended that the Government should strengthen laws governing the purchase and sale of shares by requiring Crown corporations to obtain an Order in Council before selling shares or securities of any corporation. On January 4, 1999, PAC agreed with our recommendation.

In February 2000, the Government's response to PAC's Third Report stated:

> In June 1998, CIC addressed this issue through issuance of a policy for the Authorization and Disclosure of Subsidiary Investment Activities, which requires all subsidiaries to obtain an Order in Council before purchasing shares.
>
> Due to confidentiality around the sale of assets, CIC's policy on disclosure of significant transactions with the Crown Corporations Committee (CCC) is to provide the forum for discussion and analysis of a sales transaction. A significant transaction must be reported to the CCC within 90 days of the transaction date.

The policies noted in the Government's response are reasonable. However, we believe these policies should be put into law. We also reported this matter in Chapter 6 of our 2000 Spring Report.

4. We recommend that the Government change current laws to:

- **require subsidiaries of Crown corporations to obtain an Order in Council before purchasing shares; and**
- **require Crown corporations and their subsidiaries to report the sale of shares to the Crown Corporations Committee within 90 days of the transaction date.**

Exhibit 1 – Subsidiaries, corporations, and pension plans under CIC's control at December 31, 2000

CIC Industrial Interests Inc.
- CIC Pulp Ltd.
- CIC Foods Inc.
- Genex Swine Group Inc.
- Saskatchewan Valley Potato Corporation
- 10102875 Saskatchewan Ltd.

Capital Pension Plan

Information Services Corporation of Saskatchewan

Saskatchewan Development Fund Corporation
Saskatchewan Development Fund

SaskEnergy Incorporated
- TransGas Limited
- Bayhurst Gas Limited
- Many Islands Pipe Lines (Canada) Limited
- Swan Valley Gas Corporation
- SaskEnergy International Incorporated
  - SaskEnergy Chilean Holdings I Ltd.
  - SaskEnergy Chilean Holdings II Ltd.
    - SaskEnergy Chilean Holdings Limitada

Saskatchewan Government Growth Fund Management Corporation
Saskatchewan Government Growth Fund Ltd.
Saskatchewan Government Growth Fund II Ltd.
Saskatchewan Government Growth Fund III Ltd.
Saskatchewan Government Growth Fund IV Ltd.
Saskatchewan Government Growth Fund V (1997) Ltd.
- 617275 Saskatchewan Ltd.
- 101005716 Saskatchewan Ltd.

Saskatchewan Government Growth Fund VI Ltd.
Saskatchewan Government Growth Fund VII Ltd.
Saskatchewan Government Growth Fund VIII Ltd.

Saskatchewan Government Insurance
- SGI Canada Insurance Services Ltd.

Saskatchewan Government Insurance Superannuation Plan

Saskatchewan Opportunities Corporation

Saskatchewan Power Corporation
- SaskPower International Inc.
- Power Greenhouses Inc.

Northern Enterprise Fund Inc.
Power Corporation Superannuation Plan

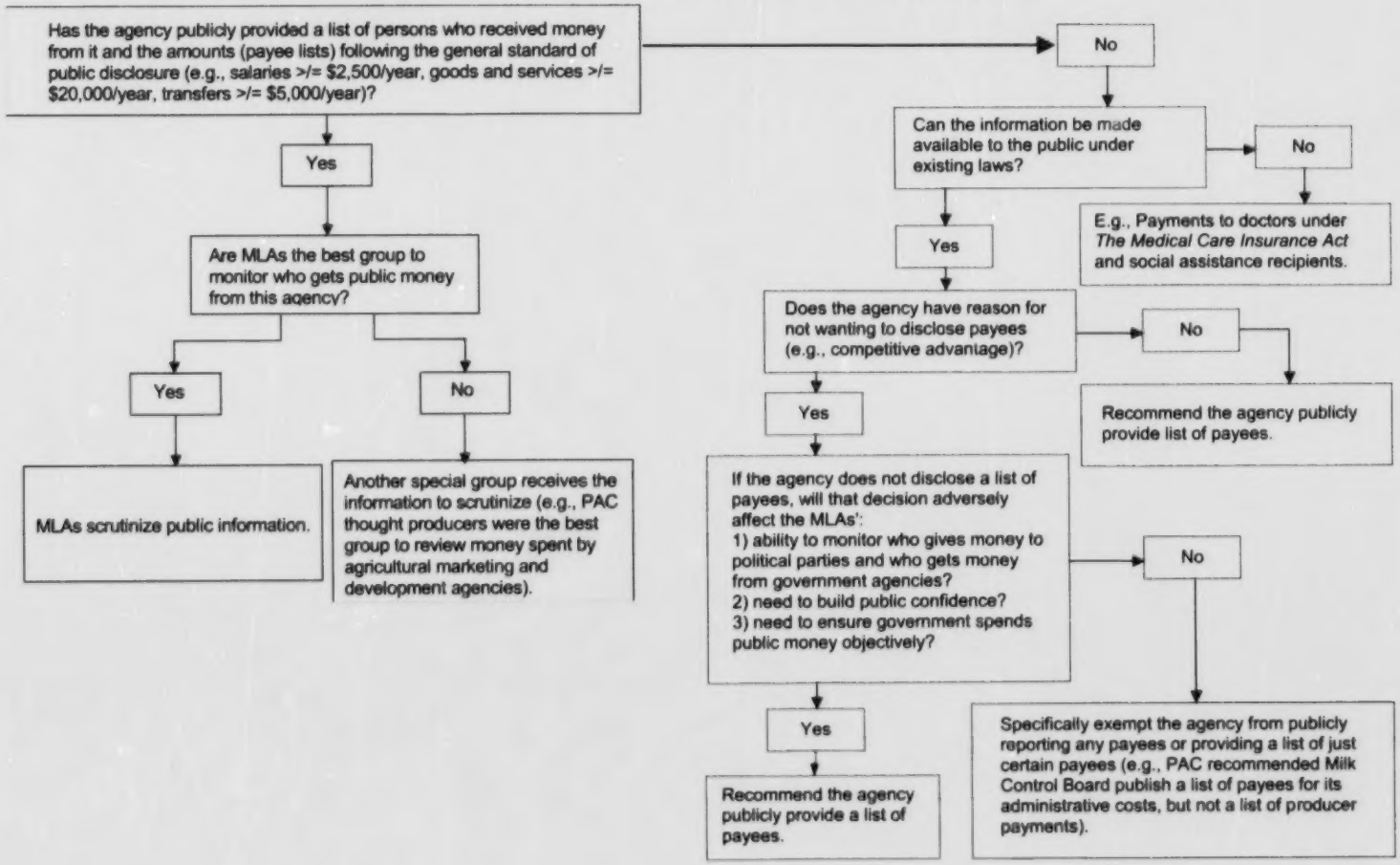
Exhibit 1 – Subsidiaries, corporations and pension plans under CIC's control at December 31, 2000 – continued

- Saskatchewan Telecommunications Holding Corporation
  - Saskatchewan Telecommunications
  - Saskatchewan Telecommunications International, Inc.
    - SaskTel International Consulting, Inc.
    - SaskTel International (Tanzania) Limited
    - Battleford International Inc.
  - Avonlea Holding, Inc.
  - Carlyle Holding, Inc.
  - Dundurn Holding, Inc.
  - Esterhazy Holding, Inc.
  - Foam Lake Holding, Inc.
  - SaskTel Holding (U.K.) Inc.
  - SaskTel Holding (Australia), Inc.
  - SaskTel New Media Fund Inc.
  - SecurTek Monitoring Solutions Inc.
    - Grenfell Holding, Inc.
  - 101000606 Saskatchewan Ltd.
  - 101000607 Saskatchewan Ltd.
  - 620064 Saskatchewan Ltd.
  - 3339807 Canada Ltd.
  - 3364381 Canada Ltd.
    - DirectWest Publishing Partnership
  - SaskTel Investments Inc.
    - Hollywood at Home Inc.
    - SaskTel Holding (New Zealand) Inc.
    - 3231518 Canada Ltd. (click-a-bid)
    - SaskTel Data Exchange Inc.
      - IQ&A Corporation
      - IQ&A Partnership
    - Hospitality Network Canada Inc.
      - Hospitality Network Canada Partnership
  - Saskatchewan Telecommunications Pension Plan

- Saskatchewan Transportation Company

- Saskatchewan Water Corporation

Exhibit 2 – Suggested criteria for MLAs' use in deciding what information government agencies should disclose and to whom


Has the agency publicly provided a list of persons who received money from it and the amounts (payee lists) following the general standard of public disclosure (e.g., salaries >/= $2,500/year, goods and services >/= $20,000/year, transfers >/= $5,000/year)?
No
Can the information be made available to the public under existing laws?
No
E.g., Payments to doctors under The Medical Care Insurance Act and social assistance recipients.
Yes
Are MLAs the best group to monitor who gets public money from this agency?
Yes
Does the agency have reason for not wanting to disclose payees (e.g., competitive advantage)?
No
Recommend the agency publicly provide list of payees.
Yes
No
Yes
If the agency does not disclose a list of payees, will that decision adversely affect the MLAs':
1) ability to monitor who gives money to political parties and who gets money from government agencies?
2) need to build public confidence?
3) need to ensure government spends public money objectively?
No
MLAs scrutinize public information.
Another special group receives the information to scrutinize (e.g., PAC thought producers were the best group to review money spent by agricultural marketing and development agencies).
Yes
Recommend the agency publicly provide a list of payees.
Specifically exempt the agency from publicly reporting any payees or providing a list of just certain payees (e.g., PAC recommended Milk Control Board publish a list of payees for its administrative costs, but not a list of producer payments).

Saskatchewan Telecommunications Holding Corporation

12

Executive summary **212**

Introduction **213**

Understanding the Corporation's corporate structure 213

Corporation's subsidiaries and investments in entities 214

Saskatchewan Telecommunications Pension Plan 214

Our audit conclusions and findings **215**

Preventing unauthorized access to computer systems 216

Improving public accountability 217

Performance reporting – annual report 217

Executive summary

Saskatchewan Telecommunications Holding Corporation (Corporation) owns and controls numerous companies that provide a range of communications systems and services.

This chapter sets out the results of our audits of the Corporation, of six of its wholly-owned subsidiaries including Saskatchewan Telecommunications (SaskTel), of one company that the Corporation controls, and of the pension plan that it sponsors.

Each entity had reliable financial statements for the year ended December 31, 2000. Also, the Corporation complied with authorities governing its activities and those of its companies. It has adequate processes to ensure compliance with authorities and to safeguard and control its assets and those of its companies with one exception. This exception relates to concerns about access to one of its financial computer systems managed by SaskTel. The Corporation and other companies it owns use this system. SaskTel needs to develop and implement a comprehensive security strategy for this financial system.

The chapter also notes that the Minister responsible for the Corporation tables, in the Legislative Assembly, the financial statements of the Corporation and of almost all of its actively operating companies. Only two sets of financial statements for two actively operating companies that are partially owned by the Corporation are not tabled. The Crown Investments Corporation of Saskatchewan (CIC) has given the Corporation permission to not table these financial statements due to commercial confidentiality reasons. In the past, legislators have asked to receive the financial statements of all government corporations. We recommend the Corporation discuss its financial statement disclosure practices with legislators to ensure these practices meet the legislators' needs.

Lastly, the chapter reports on the results of our review of the Corporation's annual report. It notes improvements in the report and calls for continued improvements.

Introduction

In this chapter, we set out:

- an overview of and changes in the corporate ownership structure of Saskatchewan Telecommunications Holding Corporation (Corporation).

- The results of our audits of the Corporation; of six of its wholly-owned subsidiaries—Saskatchewan Telecommunications (SaskTel), Saskatchewan Telecommunications International Inc. (SaskTel Intn'l), DirectWest Publishing Partnership (DirectWest), SecurTek Monitoring Solutions Inc. (SecurTek), 323518 Canada Ltd. (clickabid ™), IQ&A Partnership; of Hospitality Network of Canada Inc. (HNCI); and of the pension plan that it sponsors—Saskatchewan Telecommunications Pension Plan (Pension Plan).

Understanding the Corporation's corporate structure

The Corporation is a subsidiary of the Crown Investments Corporation of Saskatchewan (CIC). The Corporation owns and controls many companies. Through these companies, it markets and supplies a range of systems and services in the areas of voice, data, Internet, text, and image products and provides cellular and paging services. In addition, its wholly-owned subsidiary, SaskTel, sponsors the Pension Plan.

Each year, the Corporation tables its annual report on operations in the Legislative Assembly. This report includes its consolidated financial statements. These statements include the financial activities of the Corporation, the companies it owns and controls (subsidiaries), and its other investments.

In 2000, the Corporation had consolidated revenue of $779 million and consolidated net income of $97 million (including a $23 million gain on sale of investments). At December 31, 2000, it held consolidated assets of $1.24 billion and consolidated debt of $358 million.

Corporation's subsidiaries and investments in entities

Exhibit 1 in Chapter 11 (Crown Investments Corporation of Saskatchewan) lists companies that the Corporation, at December 31, 2000, owned and controlled either directly or through one or more of its wholly-owned subsidiaries. Note 2 to the 2000 Financial Statements of the Corporation lists the Corporation's 13 operating entities and 23 non-operating entities. Of those actively operating, most operate in Saskatchewan. A few operate internationally.

At December 31, 2000, the Corporation wholly-owned six of the 13 operating entities. They are:

- SaskTel,
- Saskatchewan Telecommunications International Inc.,
- DirectWest Publishing Partnership,
- SecurTek Monitoring Solutions Inc.,
- 3231518 Canada Ltd., and
- IQ&A Partnership.

The Corporation owned the majority of the shares of two operating subsidiaries. They are: Hospitality Network of Canada Inc. (96.4%) and Hospitality Network Canada Partnership (96.5%). The remaining five operating entities where the Corporation or its subsidiaries have a partial ownership interest are: Retx.com, Inc. (49%), Craig Wireless International Inc. (29.9%), SoftTracks Enterprises Ltd. (19.6%), Regional Cablesystems Inc. (7.6%), and Austar United Communications Limited (1.9%).

As described in its annual report and in the notes to the Corporation's audited financial statements, the Corporation and its companies actively acquire existing companies and set up new companies each year.

Saskatchewan Telecommunications Pension Plan

The Saskatchewan Telecommunications Pension Plan (Pension Plan) is a defined benefit pension plan. Effective January 1, 1999, SaskTel registered its pension plan under *The Pension Benefits Act, 1992*. The Superannuation Plan was continued under the name of The Saskatchewan Telecommunications Pension Plan.

At December 31, 2000, the Pension Plan had assets of $811 million, and estimated actuarial liabilities of $652 million.

Our audit conclusions and findings

Our Office worked with PricewaterhouseCoopers LLP, the appointed auditor, to carry out audits of the Corporation, SaskTel, SaskTel Intn'l, DirectWest, SecurTek, clickabid ™, IQ&A Partnership, HNCI, and of the Pension Plan. Our Office and the appointed auditor worked together using the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*[1]. PricewaterhouseCoopers LLP and our Office formed the following opinions.

In our opinion, for the year ended December 31, 2000:

- **the financial statements of the following entities are reliable:**
  - **SaskTel Holding Corporation,**
  - **SaskTel,**
  - **SaskTel Intn'l,**
  - **DirectWest,**
  - **SecurTek,**
  - **clickabid ™,**
  - **IQ&A Partnership,**
  - **HNCI, and**
  - **Pension Plan.**

- **the Corporation complied with the authorities governing the activities of the entities listed above relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing activities; and**

- **the Corporation had adequate rules and procedures to safeguard and control the assets of the entities listed above except for a matter relating to access to computer systems described later in this chapter.**

In this chapter, we also report for the Assembly's attention other matters relating to improving public accountability.

[1] To view a copy of this report, see our website at http://www.auditor.sk.ca/rrd.html.

Preventing unauthorized access to computer systems

SaskTel needs to develop and implement a comprehensive security strategy for one of its key financial systems.

SaskTel uses computerized financial information systems to record and report on its financial activities and on the activities of the Corporation, SaskTel Intn'l., and clickabid™. Management and the Board rely on the information produced from the computerized financial information systems to make decisions.

A security strategy for computer systems focuses on their risks and complexities, sets the parameters for assessing security policies and procedures, and defines the roles and responsibilities for managing security. When risks and complexities are high, a security strategy addresses the need for periodic security audits. Such audits are designed to assess and to report on the continued effectiveness of security. These audits provide boards and management with the information they need to ensure the risks to the computer systems and data are reduced to an appropriate level and to ensure the computer systems and data are adequately protected.

SaskTel has security policies and procedures to limit access to its various financial computer systems and data. However, the security strategy for one of its key financial systems was not sufficiently comprehensive to meet its complexities. We noted that adequate segregation of duties within this financial system's technical support team did not exist, that documentation of the security component of the system's recent upgrade was not available, and that for a period after the upgrade, more users than would normally be required had access privileges beyond their areas of responsibilities. These weaknesses allowed access to sensitive financial information and the possibility that this data could have been subjected to unauthorized changes and or disclosure.

As a result of these weaknesses, we did additional audit procedures. We concluded that the financial data were reliable.

In the absence of a comprehensive security strategy for all aspects of its financial systems, SaskTel faced increased risks of unauthorized system access, loss of data integrity, malicious damage, and the disclosure of

confidential financial information. These risks could result in financial losses.

1. **We recommend that SaskTel develop and implement a comprehensive security strategy for its financial system.**

Management has told us that they made appropriate changes by the end of February 2001. Through these changes, management told us that SaskTel has reduced access to the financial system to a more appropriate number of users and that it has adequately segregated duties within this system. Also, management told us that SaskTel plans to review and update its security strategy and procedures related to the financial system by the end of June 2001.

Improving public accountability

For several years in our reports, we have discussed areas where the Corporation could provide the Members of the Legislative Assembly with more or better information. These areas included provision of audited financial information, information on persons who receive public money, and better information in annual reports. This section provides an update on the status of the last area. See Chapter 11 (Crown Investments Corporation of Saskatchewan) for an update on information on persons who receive public money.

Performance reporting – annual report

Based on our review of the Corporation's annual report for the year ended December 31, 2000, the Corporation needs to improve its reports to provide better information to assist legislators and the public to assess its performance.

Chapter 1 of our 2000 Spring Report set out the principles for performance reporting. See Exhibit 1 at the end of this chapter. These principles provide guidance on the content of good annual reports to help ensure they provide sound information on the entity's performance.

In 2000, CIC's Board approved a performance reporting and disclosure policy for CIC and its subsidiaries. The policy expects public reporting on

the key elements of the Balanced Scorecard[2] in annual reports. The policy requires progressive improvement of performance reporting in annual reports. It sets minimum disclosure requirements for the 2000 annual reports and additional disclosure required no later than the 2002 annual reports. This policy applies to the Corporation.

The principles set out in Chapter 1 of 2000 Spring Report are consistent with the CIC's policy on performance reporting and disclosure policy. We assessed the Corporation's 2000 annual report against the principles for performance reporting keeping in mind CIC's policy.

We found that the Corporation's 2000 annual report set out three strategic objectives—growth through diversification, cost-containment with customers and employees in mind, and bringing the best communications services to Saskatchewan people. It discusses key activities undertaken in the year with respect to these objectives. It provides a good analysis of its financial operations overall and by its key business segments. It provides long-term trends of some key data but not of others (e.g., market share). It provides a good discussion of factors affecting the Corporation's near term financial outlook and strategies in place or planned to reduce risks for these factors.

The Corporation's 2000 annual report concludes it has met its objectives but does not tell the reader what constitutes successful achievement of them. That is, it does not clearly set out the key performance measures or targets used to measure the achievement of its objectives.

We continue to recommend the Corporation improve its annual report to clearly report on the achievement of its plans.

[2] See Chapter 2 – Crown Investments Corporation of Saskatchewan of our 2000 Spring Report (pages 30-32) for a description of the Balanced Scorecard performance measurement system and CIC's initiative in this area.

Exhibit 1 – Principles for performance reporting

1. **Performance information should be relevant**
   - it relates to the stated objectives of the agency and its strategies and programs, and enables an assessment of the extent to which the objectives are being achieved;
   - it is reported in sufficient time to influence decisions;
   - it measures something that is significant in that it is used in forming assessments and judgements; and
   - it is aggregated at an appropriate and meaningful level.

2. **Performance information should be reliable**
   - it is neutral and fair, in that judgements made on performance by users are not influenced by the way information is provided;
   - it is reasonably accurate and complete—that is, free from material error or omissions; and
   - it is capable of being replicated or verified by independent and knowledgeable observers.

3. **Performance information should be understandable**
   - it provides the minimum level of detail needed to enable users to gain a proper understanding of the activities and performance;
   - it focuses on a small set of key performance measures;
   - it explains the context as to what happened and why it happened, to enable users to judge whether performance is improving or declining; and
   - it includes comparative information from similar agencies and information regarding best practice, to provide users with a frame of reference for assessing performance.

Additional attributes: Performance reports should:

- include an assessment of the effectiveness of the control established to help achieve objectives;
- be focused on results and achievements;
- report in the context of expectations (plans);
- be complete and unbiased (i.e., cover both successes and shortcomings);
- attribute achievements to activities (how activities contribute to results);
- relate costs to results; and
- explain strategies, risks and context .

Source: Adapted from *Principles for Building a Public Performance Report – A discussion paper from Canada's legislative audit community*, 1999, CCAF, Ottawa.

This page left blank intentionally.

Saskatchewan Water Corporation

13

Executive summary **222**

Introduction **223**

Our audit conclusions and findings **223**

Better security needed 224

Act needs clarification 225

Follow-up of prior investment policy recommendation 226

Annual Report needs improvement 227

List of persons who received public money 228

Executive summary

In this chapter, we report the results of our audit of Saskatchewan Water Corporation (SaskWater) for the year ended December 31, 2000. SaskWater's 2000 financial statements are reliable. SaskWater complied with the authorities governing its activities except that it did not obtain adequate approval to dispose of real property. Also, SaskWater needs to strengthen security over its information technology systems and data.

We also report on the status of a recommendation that we made in our 2000 Spring Report relating to SaskWater's management of its investment in the potato industry from 1996 through 1999. We recommended that SaskWater adopt a policy to ensure it does not commit financial resources to significant investments until it has gathered the necessary information for decision-making. Although SaskWater has disposed of its investment in the potato industry, this recommendation continues to be relevant because SaskWater invests in utility projects. SaskWater has not yet adopted such a policy.

Introduction

The Saskatchewan Water Corporation (SaskWater) operates under the authority of *The Water Corporation Act*. SaskWater manages, develops, controls, and protects the water and related land resources of Saskatchewan. SaskWater has three main lines of business: water management, water supply and services, and water-based economic development.

At December 31, 2000, SaskWater held assets of $71.6 million, had revenues of $34.2 million, and expenses of $36.2 million. SaskWater's 2000 Annual Report includes its financial statements.

This chapter contains our audit conclusions and findings regarding SaskWater for the year ended December 31, 2000.

Our audit conclusions and findings

Our Office worked with PricewaterhouseCoopers, the appointed auditor for SaskWater, using the framework recommended in the *Report of the Task Force on Roles, Responsibilities, and Duties of Auditors* (to view a copy of this report, see our website at http://www.auditor.sk.ca/rrd.html). The appointed auditor and our Office formed the opinions below.

In our opinion, for the year ended December 31, 2000:

- **SaskWater's financial statements are reliable;**
- **SaskWater had adequate rules and procedures to safeguard and control its assets except that SaskWater should set appropriate security policies for its information technology systems and data; and**
- **SaskWater complied with the authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing, and investing except as described in this chapter.**

In addition, our Office followed up on the status of the recommendation we made in our 2000 Spring Report regarding the adequacy of

SaskWater's rules and procedures for managing its investment in the potato industry. Our conclusions and findings are set out in this chapter.

We also report on our assessment of SaskWater's annual report and another matter for the attention of the Legislative Assembly (Assembly).

Better security needed

SaskWater needs to strengthen security over its information technology (IT) systems and data.

SaskWater depends on a number of IT systems to deliver its services to customers, to ensure compliance with acts and regulations governing its services, and to manage its financial affairs. As a result, SaskWater must protect its IT systems and data from unauthorized access and changes and from accidental or deliberate destruction.

In our 2000 Spring Report, we recommended that SaskWater set appropriate security policies for its IT systems and data.

Exhibit 1 sets out criteria that organizations can use to reduce IT security risks to an acceptable level.

Exhibit 1

To ensure information technology (IT) security risks are reduced to an acceptable level, organizations should:

- identify the threats and risks to IT systems and data;
- involve senior management in the review and approval of security policies and procedures needed to reduce the risk to an acceptable level;
- clearly assign the roles and responsibilities for IT security;
- inform staff of their IT security responsibilities and train them accordingly;
- approve written and tested contingency plans for IT systems;
- monitor the effectiveness of approved security policies and procedures; and
- report the results of monitoring to senior management.

SaskWater has established a number of security practices to protect its IT systems and data (e.g., passwords to restrict access to data and regular backups of data in case data is lost). However, we found that some of

these security practices were not followed. We also found that SaskWater does not have complete and approved security policies for its IT systems and data. As a result, SaskWater's current IT security management practices do not provide sufficient guidance to staff on the level of protection its IT systems and data need or on the security responsibilities of staff. This guidance is critical to assist SaskWater in meeting the criteria set out in Exhibit 1. SaskWater risks financial losses caused by the release of confidential information, decisions based on incorrect information, and the loss of information. Also, SaskWater risks non-compliance with legislative authorities.

1. **We continue to recommend that SaskWater set appropriate security policies for its IT systems and data.**

Management told us that SaskWater intends to implement security policies and procedures based on the security guidelines that the Government is currently developing.

Act needs clarification

During 2000, SaskWater, through its subsidiaries, sold real property without obtaining Lieutenant Governor in Council (Cabinet) approval.

The Water Corporation Act requires that SaskWater obtain the prior approval of Cabinet before acquiring or disposing of real property in excess of $250,000. During 2000, SaskWater sold the assets of its potato business. It did this in two transactions. The first transaction included approximately $17 million of assets (mainly real property) that SaskWater held directly. This real property was sold to Crown Investments Corporation of Saskatchewan (CIC). The second transaction included approximately $5 million of assets (mainly real property) that SaskWater held indirectly through two subsidiaries. This real property was sold to a subsidiary of CIC.

SaskWater obtained Cabinet approval to sell the real property in the first transaction but not the second transaction. Management informed us their lawyer and CIC advised them they did not need Cabinet approval for the second transaction because in their opinion the legislative restriction does not apply to SaskWater's subsidiaries.

We think SaskWater should have obtained Cabinet approval for the second transaction because subsidiaries of corporations do not have greater powers than their parent corporation.

In Chapter 11 (Crown Investments Corporation of Saskatchewan) of this report, we set out further details of this matter. In that Chapter, we recommend that the Government should clarify the law to require Crown corporations to obtain Cabinet approval before purchasing or selling real property (over prescribed limits) either directly, or indirectly through a subsidiary.

Follow-up of prior investment policy recommendation

In our 2000 Spring Report, we recommended that SaskWater's Board should adopt a policy to ensure that it does not commit financial resources to significant investments until it has:

- approved clear and measurable objectives for the investments;
- analyzed the risks, costs, and benefits of the investments; and
- set performance indicators against which it can measure the extent of achievement of the investment objectives.

During 2000, SaskWater disposed of its investment in the potato industry. However, SaskWater makes other investments in the normal course of its operations. SaskWater invests significant amounts of money in municipal and industrial water utility projects. Our recommendation is relevant to all investments.

Management currently provides the Board with information about potential utility investments when management seeks the Board's approval for these investments. This information includes planned objectives for the investments, analysis of the risks, costs and benefits of the investments, and planned ways to assess performance of the investments.

However, SaskWater's Board has not set an investment policy that requires management to bring forward the appropriate information for decision-making. A written Board policy will help to ensure future management and Board members will be aware of the information needed to make investment decisions.

2. **We continue to recommend that SaskWater's Board should adopt a policy to ensure it does not commit financial resources to significant investments until it has:**

   - **approved clear and measurable objectives for the investments;**
   - **analyzed the risks, costs, and benefits of the investments; and**
   - **set performance indicators against which it can measure the extent of achievement of the investments' objectives.**

Annual Report needs improvement

SaskWater's 2000 Annual Report does not include a comparison of SaskWater's plans and actual results.

We reviewed SaskWater's Annual Report for the year ended December 31, 2000. The Annual Report does not compare SaskWater's plans and actual results for the year. As a result, the Assembly and the public cannot use the Annual Report to fully assess SaskWater's performance.

To assess performance of public sector agencies, the Assembly and the public need adequate information about the agency's plans and the agency's achievement of those plans. Public sector agencies should provide their vision, long-term goals, specific objectives, key performance targets, and main strategies for achieving these plans. They should also report the extent to which they have achieved those plans.

CIC and its subsidiary Crown corporations are using the Balanced Scorecard performance measurement system. In January 2000, CIC set a performance reporting and disclosure policy for its subsidiaries which includes SaskWater. The policy sets out how these subsidiary Crown corporations should plan and report their performance along with a timetable for the public reporting of the key elements of the Balanced Scorecard. We support this initiative and look forward to improved performance reporting by SaskWater.

We discussed this matter more fully in Chapter 2 (Crown Investments Corporation of Saskatchewan) of our 2000 Spring Report.

3. ***We continue to recommend*** **that SaskWater improve its public accountability by clearly describing in its annual report the extent to which it has achieved its plans.**

Management told us they are committed to publicly reporting SaskWater's Balanced Scorecard results no later than in its 2002 annual report.

List of persons who received public money

In past reports, we recommended that SaskWater should annually provide the Assembly with a list of persons who received public money. See Chapter 11 (Crown Investments Corporation of Saskatchewan) for an update on this matter.

Information Services Corporation

14

Executive summary 230

Introduction 231

Our audit conclusions and findings 231

Audit of the LAND system 232

Background 232

Our audit objective and criteria 233

Criterion 1 – Adequate processes to maintain management and stakeholder commitment 234

Criterion 2 – Adequate processes to track and report on realization of the project's benefits 234

Criterion 3 – Adequate project management practices and reports 234

What's next? 235

Selected resources 237

Executive summary

In this chapter, we discuss our planned audit of the project management processes used by Information Services Corporation to manage the implementation of the Land Titles Automated Network Development (LAND project).

The LAND project represents a significant investment in information technology (IT) by the Government of Saskatchewan.

This chapter describes the three criteria we plan to use in our audit. The criteria are:

- adequate processes to maintain management and stakeholder commitment to the project;
- adequate processes to track and report on the realization of project's benefits; and
- adequate project management practices and reports.

Introduction

Effective January 1, 2000, Cabinet established the Information Services Corporation (ISC) as a CIC Crown Corporation. ISC is responsible for developing and implementing the Land Titles Automated Network Development (LAND project). Cabinet also transferred the applicable land title assets, including the initial project development costs, from the Department of Justice and directed ISC to purchase the geographical information system assets from Saskatchewan Property Management Corporation (SPMC).

ISC earned revenue of $20.9 million during 2000 and held assets of $30.2 million as at December 31, 2000.

Our audit conclusions and findings

Our Office worked with Deloitte & Touche, ISC's appointed auditor, using the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (to view a copy of this report, see our website at http://www.auditor.sk.ca/rrd.html). Deloitte & Touche and our Office formed the following opinions.

In our opinion for the year ended December 31, 2000:

- **ISC's financial statements are reliable;**
- **ISC had adequate rules and procedures to safeguard and control its assets; and**
- **ISC complied with authorities governing its activities relating to financial reporting, safeguarding assets, revenue raising, spending, borrowing and investing.**

In addition, in this chapter, we report on the progress of our audit of the Land system.

Audit of the LAND system

Our office is auditing the project management processes used by ISC to manage the implementation of the LAND Project.

Surveys and literature show that large information technology (IT) projects are inherently risky. Sound project management processes can reduce these risks and increase the likelihood of a project's success.

We are performing this audit to provide the Legislative Assembly and the public with independent assurance on how well ISC is managing a major IT initiative. The audit will allow us to determine the strengths of ISC's processes and to identify opportunities for improvement, if any. The results of the audit should help ISC and other government organizations to strengthen their project management practices.

We are reporting this audit in two stages. In the first stage (this chapter), we describe the audit and outline the criteria we will use to assess ISC's processes. We think these criteria will be useful to other government organizations in managing their IT and other projects. In the second stage (planned for our 2001 Fall Report), we will describe the results of our audit.

Background

The LAND project represents a significant investment in IT by the Government of Saskatchewan. The estimated cost of the LAND project is $58 million. The Government expects the new system to benefit Saskatchewan's economy by making land title and geographic information processes more efficient.

The original LAND project began in 1995 and consisted of the automation of the Department of Justice's land titles system. The estimated cost of that project was $20 million. The LAND project was later expanded to include the integration of information about Saskatchewan land into a single system. This fundamentally changed the project. Its estimated cost is now $58 million and the project includes:

- integrating of the land titles system with the geographic information systems developed by SPMC, including the integration of all survey functions and the conversion of maps;
- developing e-commerce and imaging systems;
- moving employees and ISC from using a paper-based system to an electronic system; and
- provisioning of a building to store land documents and converting the documents into electronic format.

ISC hired a primary contractor to develop the LAND systems. After the completion of the project's design, the contractor has entered into a fixed-price contract with ISC for a significant portion of the project.

ISC plans to start using the LAND system in Moose Jaw beginning in May 2001. ISC expects to complete the project's full development and implementation by October 2002.

Our audit objective and criteria

Our audit objective is to assess whether ISC has adequate project management processes to implement the LAND project. We will focus on the project management processes that ISC uses to manage the implementation of this project in Moose Jaw. This will involve assessing ISC's readiness to implement the LAND system and its project management processes used in the implementation.

Auditors use criteria to evaluate matters that they audit. The criteria outlined in Exhibit 1 and described in the following paragraphs set out the main elements we will look for when we examine the processes ISC uses to implement the LAND project. The criteria are based upon international standards, literature, and reports of other auditors. In particular, we used the Project Management Institute's standard, entitled *A Guide to the Project Management Body of Knowledge*, as the management framework to support the criteria.

We discussed the criteria in Exhibit 1 with key individuals in ISC. They agree that the audit criteria are clear, reasonable and attainable.

Exhibit 1 – Audit Criteria

To implement the LAND project, ISC should have:

1. Adequate processes to maintain management and stakeholder commitment to the project;

2. Adequate processes to track and report on the realization of project's benefits; and

3. Adequate project management practices and reports.

   Adequate project management practices include: risk management; scope management; cost and schedule management; human resource management including retraining and staffing, and quality assurance.

Criterion 1 – Adequate processes to maintain management and stakeholder commitment

We expect ISC to have project management processes to obtain and maintain strong senior management commitment to the LAND project. Our review of other jurisdictions and current literature suggests that senior management commitment is the most common, and perhaps most important feature of successful projects. Senior management commitment is demonstrated by actively overseeing the project. Management commitment is enhanced when management is held accountable for the success of the project. Working with other departments, governments, and non-governmental organizations to pursue a common interest in a project helps maintain commitment.

Criterion 2 – Adequate processes to track and report on realization of the project's benefits

We expect ISC to have a process to quantify and track project benefits throughout the project and after implementation. Benefits should be based on a strong business case that is consistent with ISC's vision, strategic goals, and objectives.

Criterion 3 – Adequate project management practices and reports

We expect ISC to have good project management systems and practices to control the implementation of the LAND project. Good project management systems and practices involve the use of project teams with

the necessary experience, skills, and leadership to manage the project. Good project management practices include planning and reporting progress against the plan. The project team also needs to manage risk, ensure quality work, and communicate progress and successes. Good project management systems and practices help ensure deadlines are met, costs are contained, and requirements are met.

See Exhibit 2 for more information.

What's next?

This report outlines the criteria we will use for our audit. We plan to do the audit in the summer of 2001 and report the results of the audit in our 2001 Fall Report - Volume 2.

Exhibit 2 – Project Management Framework

The three general criteria of a strong project management climate are:

- management commitment to the project;
- the project's ability to achieve its objectives and benefits; and
- good project management systems and practices.

We will audit to these criteria based on the risk and scope of our project. We will use the Project Management Institute's standard titled *A Guide to the Project Management Body of Knowledge* as the management framework to support the above three criteria.

Scope management - the processes involved in determining what the users need, how the needs will be met and verifying if they are met.

Time management - the processes to plan, schedule, and control the project's activities to help get the project done on time.

Cost management - the processes to plan, estimate, and control the project costs.

Quality management - the processes needed to evaluate if the project is managed well and meets the stakeholders' needs.

Human resource management – the processes required to make the most effective use of people involved in the project, including stakeholders. This includes change management, training, and staffing.

Communication management – the processes, including the organizational structure, used to ensure the timely and complete creation, movement, and storage of information.

Risk management – the processes to identify, evaluate, plan, and respond to risks.

Procurement management - the processes to decide what to contract for: tendering and selecting the best contractor; and negotiating, managing and closing the contract.

Selected resources

Boehm, B.A. (1989). Tutorial: Software Risk Management. Washington D.C.: IEEE Computer Society Press.

United States. Department of Defense (April 1997). The Program Manager's Guide to Software Acquisition Best Practices: Version 2.0. [Arlington, Virginia: Software Program Managers Network.]

Fleming, Q.W. and Koppelman, J.M ., (July 1998). Earned Value Project Management: A Powerful Tool for Software Projects, CROSSTALK: The Journal of Defense Software Engineering, p. 19-23.

Grady, R.B., (1997). Successful Software Process Improvement. Upper Saddle River, New Jersey: Prentice Hall PTR.

Humphrey, W.S. (1989). Managing the Software Process. Don Mills, Ontario. Addison Wesley Publishing Company Inc.

Project Management Institute. PMI Standards Committee (1996). A Guide to the Project Management Body of Knowledge. Pmbok Guide. Upper Darby, Pennsylvania: Project Management Institute.

Schach, S.R. (1996). Classical and Object Oriented Software Engineering. (Third Edition). Toronto: IRWIN.

Information Systems Audit and Control Foundation IT Governance Institute (July 2000). CobiT: Governance, Control and Audit for Information and Related Technology 3rd Edition. Rolling Meadows, Illinois: Information Systems Audit and Control Foundation.

This page left blank intentionally.

Appendix 1

NOTE:

All persons making use of this consolidation are reminded that it has no legislative sanction, that the amendments have been embodied only for convenience of reference and that the original statutes and regulations should be consulted for all purposes of interpretation and application of the law. Please note, however, that in order to preserve the integrity of the original statutes and regulations, errors that may have appeared are reproduced in this consolidation.

The Provincial Auditor Act

SHORT TITLE AND INTERPRETATION

Short Title

1 This Act may be cited as *The Provincial Auditor Act*.

Interpretation

2 In this Act:

(a) "**acting provincial auditor**" means the acting provincial auditor appointed pursuant to section 5;

(a.1) "**appointed auditor**" means an auditor appointed pursuant to an Act or other authority by the Lieutenant Governor in Council or another body to examine the accounts of a Crown agency or Crown-controlled corporation or accounts otherwise related to public money;

(b) "**audit**" means an audit or examination of accounts of public money that may be made by the provincial auditor pursuant to this Act;

(c) "**Crown**" means Her Majesty the Queen in right of Saskatchewan;

(d) "**Crown agency**" means an association, board, commission, corporation, council, foundation, institution, organization or other body, whether incorporated or unincorporated, all the members of which or all of the board of management or board of directors of which:

(i) are appointed by an Act or by the Lieutenant Governor in Council; or

(ii) are, in the discharge of their duties, public officers or servants of the Crown;

and includes a corporation that has at least 90% of its issued and outstanding voting shares vested in the Crown;

(e) "**Crown-controlled corporation**" means a corporation that is not a Crown agency and that has less than 90% and more than 50% of its issued and outstanding voting shares vested in the Crown;

(f) "**fiscal year**" means the period commencing on April 1 in one year and ending on March 31 in the next year;

(g) "**provincial auditor**" means the Provincial Auditor for Saskatchewan appointed pursuant to section 3;

(h) "**public money**" means all revenues and public moneys from whatever source arising, whether the revenues and moneys:

(i) belong to the Government of Saskatchewan; or

(ii) are collected or held by officers of the departments of the Government of Saskatchewan or Crown agencies for, on account of or in trust for the Government of Canada or the government of any other province or for any other party or person;

and includes public property;

(i) "**public property**" means property held or administered by the Crown. 1983, c.P-30.01, s.2; 1986-87-88, c.26, s.4.

APPOINTMENT AND OFFICE

Appointment of provincial auditor

3(1) After consultation with the Chairman of the Standing Committee of the Legislative Assembly on Public Accounts, the Lieutenant Governor in Council shall appoint a person as the Provincial Auditor for Saskatchewan.

(2) The provincial auditor is an officer of the Legislative Assembly and holds office during good behaviour.

(3) **Repealed**. 1986-87-88, c.26, s.5.

(4) The provincial auditor may resign his office at any time by forwarding a written notice addressed to:

(a) the Speaker; or

(b) where there is no Speaker or the Speaker is absent from Saskatchewan, the President of the Executive Council.

(5) The Lieutenant Governor in Council may suspend or remove the provincial auditor from office only for cause and on the address of the Legislative Assembly. 1983, c.P-30.01, s.3; 1986-87-88, c.26, s.5.

Salary

4(1) Subject to subsection (2), the provincial auditor is to be paid a salary equal to the average salary of all the deputy ministers and acting deputy ministers of the Government of Saskatchewan calculated as at April 1 in each year.

(2) Where, as a result of a calculation made pursuant to subsection (1), the provincial auditor's salary would be less than his previous salary, he is to be paid not less than his previous salary.

(3) The provincial auditor is entitled to receive any privileges of office and economic adjustments that are provided to deputy ministers.

(4) The provincial auditor's salary is a charge on the consolidated fund. 1983, c.P-30.01, s.4.

Acting provincial auditor

5(1) The provincial auditor may appoint an employee of his office as acting provincial auditor.

(2) Where the position of provincial auditor is vacant and there is no acting provincial auditor, the Lieutenant Governor in Council may appoint a person as acting provincial auditor who is to hold office until an acting provincial auditor is appointed pursuant to subsection (1).

(3) Where the position of provincial auditor is vacant or the provincial auditor is absent or unable to perform his duties due to illness or other disability, the acting provincial auditor has all the powers and shall exercise all the duties of the provincial auditor. 1983, c.P-30.01, s.5.

Qualifications of provincial auditor, acting provincial auditor

6 No person is eligible to be appointed as provincial auditor or as acting provincial auditor unless he is a member in good standing of the Institute of Chartered Accountants of Saskatchewan. 1983, c.P-30.01, s.6.

Advisors, etc.

7 For the purposes of exercising any of the powers or carrying out any of the duties imposed upon him by this Act, the provincial auditor may engage the services of or retain any technical, professional or other advisors, specialists or consultants that he considers necessary. 1983, c.P-30.01, s.7.

Office of the provincial auditor

8(1) The provincial auditor may employ any persons that he considers necessary to assist him in carrying out his duties and fulfilling his responsibilities under this Act.

(2) Employees of the office of the provincial auditor are employees of the Legislative Assembly and are not members of the public service of Saskatchewan.

(3) The disability income plan, the public employees dental plan and the group insurance plan applicable to the public servants of Saskatchewan and any plan introduced to replace or

substitute for those plans apply or continue to apply, as the case may be, to the provincial auditor and the employees of the office of the provincial auditor.

(4) *The Public Service Superannuation Act* and *The Superannuation (Supplementary Provisions) Act* apply to the provincial auditor and the permanent and full-time employees of the office of the provincial auditor, and all credits in any superannuation plan or fund established pursuant to those Acts for the provincial auditor and the employees of the office of the provincial auditor and accumulated under those Acts, prior to the coming into force of this section, are preserved and continued in accordance with those Acts.

(5) The provincial auditor shall administer, manage and control the office of the provincial auditor and the general business of the office and shall oversee and direct the staff of the office. 1983, c.P-30.01, s.8.

Confidentiality
9 The provincial auditor shall require every person employed in his office who is to examine the accounts of a department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation pursuant to this Act to comply with any security requirements applicable to, and to take any oath of secrecy required to be taken by, persons employed in that department, Crown agency or Crown-controlled corporation. 1983, c.P-30.01, s.9.

Delegation of authority
10 The provincial auditor may delegate to any member of his office the authority to exercise any power or to perform any duty conferred on him pursuant to this Act, other than the duty to make his annual report or a special report to the Legislative Assembly. 1983, c.P-30.01, s.10.

DUTIES AND POWERS

Examination of accounts
11(1) The provincial auditor is the auditor of the accounts of the government of Saskatchewan and shall examine all accounts related to public money and any accounts not related to public money that he is required by an Act to examine, and shall determine whether, in his opinion:

(a) the accounts have been faithfully and properly kept;

(b) public money has been fully accounted for and properly disposed of, and the rules and procedures applied are sufficient to ensure an effective check on the assessment, collection and proper allocation of public money;

(c) public money expended has been applied to the purposes for which it was appropriated by the Legislature and the expenditures have adequate statutory authority; and

(d) essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public money.

(2) An appointed auditor is subject to the examination responsibilities prescribed in clauses (1)(a) to (d).

(3) For the purposes of this section, where an auditor, including an appointed auditor, is required to examine accounts and render an opinion on those accounts, he shall do so in accordance with generally accepted auditing standards as prescribed from time to time by the Canadian Institute of Chartered Accountants. 1986-87-88, c.26, s.6.

Reliance on report of appointed auditor

11.1(1) In the fulfillment of his responsibilities as the auditor of the accounts of the Government of Saskatchewan, the provincial auditor may rely on the report of the appointed auditor of a Crown agency or Crown-controlled corporation if he is satisfied that the appointed auditor has carried out his responsibilities pursuant to section 11 with respect to that Crown agency or Crown-controlled corporation.

(2) Where the provincial auditor determines pursuant to subsection (1) that he is unable to rely on the report of the appointed auditor with respect to a Crown agency or Crown-controlled corporation, the provincial auditor shall conduct additional audit work with respect to the accounts of that Crown agency or Crown-controlled corporation.

(3) Where the provincial auditor has performed additional audit work on the accounts of a Crown agency or Crown-controlled corporation pursuant to subsection (2), he shall report in his annual report pursuant to this section:

(a) the reason that he was unable to rely on the report of the appointed auditor of the Crown agency or Crown-controlled corporation;

(b) the nature of the additional audit work he conducted; and

(c) the results of the additional audit work. 1986-87-88, c.26, s.6.

Annual Report

12(1) At the end of each fiscal year, the provincial auditor and every appointed auditor shall prepare a report on the results of all examinations that they have conducted of departments of the Government of Saskatchewan, Crown agencies and Crown-controlled corporations during that year giving details of any reservation of opinion made in an audit report, and shall identify any instances they consider to be of significance and of a nature that should be brought to the attention of the Legislative Assembly, including any cases in which they observe:

(a) any officer or employee of a department of the Government of Saskatchewan or Crown agency has wilfully or negligently omitted to collect or receive any public money belonging to the Crown;

(b) any public money was not duly accounted for and paid into the appropriate fund;

(c) any appropriation was exceeded or was applied to a purpose or in a manner not authorized by the Legislature;

(d) an expenditure was made for which there was no authority or which was not properly vouchered or certified;

(e) there has been a deficiency or loss to the Crown through the fraud, default or mistake of any person;

(f) a special warrant authorized the payment of public money; or

(g) essential records were not maintained or the rules and procedures applied were not sufficient:

(i) to safeguard and control public money;

(ii) to effectively check the assessment, collection and proper allocation of public money; or

(iii) to ensure that expenditures were made only as authorized.

(1.1) On completion of any examination of the accounts of a Crown agency or Crown-controlled corporation, an appointed auditor shall submit to the provincial auditor the report prepared pursuant to subsection (1) with respect to that Crown agency or Crown-controlled corporation.

(1.2) At the end of each fiscal year, the provincial auditor shall compile the reports submitted to him by appointed auditors pursuant to subsection (1.1) and shall submit them together with his report prepared pursuant to this section in the form of an annual report to the Legislative Assembly.

(2) In the annual return made pursuant to subsection (1), the provincial auditor may:

(a) report on the work of his office and on whether, in carrying on the work of his office, he received all the information, reports and explanations he required from departments of the Government of Saskatchewan, Crown agencies or Crown-controlled corporations or their auditors; and

(b) comment on the financial statements of any department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation of which he is the auditor.

(3) Notwithstanding subsection (1), neither the provincial auditor nor any appointed auditor is required to report to the Legislative Assembly on any matter that he considers immaterial or insignificant. 1983, c.P-30.01, s.12; 1986-87-88, c.26, s.7.

Special report

13 The provincial auditor may prepare a special report to the Legislative Assembly on any matter that is, in his opinion, important or urgent. 1983, c.P-30.01, s.13.

Tabling of reports

14(1) Notwithstanding *The Tabling of Documents Act, 1991*, the provincial auditor shall submit to the Speaker, as soon as practicable:

(a) his annual report prepared pursuant to section 12;

(b) any supplemental report based on the financial statements of the Government of Saskatchewan; and

(c) any special report that is prepared by him pursuant to section 13;

and the Speaker shall, as soon as practicable, lay before the Legislative Assembly each report received by him pursuant to this subsection.

(2) Where the Legislature is not in session when the Speaker is required to lay the reports referred to in subsection (1) before the Legislative Assembly, the Speaker shall submit the reports to the Clerk of the Legislative Assembly, whereupon such reports shall be deemed to be tabled.

(3) On receipt of the reports referred to in subsection (1), the Clerk of the Legislative Assembly shall:

(a) cause copies of the reports to be delivered to all members of the Legislative Assembly;

(b) make the reports available for public inspection during normal business hours of the Clerk of the Legislative Assembly.

(4) Where the Speaker submits the reports referred to in subsection (1) to the Clerk of the Legislative Assembly pursuant to subsection (2), those reports shall be deemed referred to the Standing Committee of the Legislative Assembly on Public Accounts. 1994, c.44, s.2.

Certification of Statements
15(1) The provincial auditor or the appointed auditor, as the case may be, shall express an opinion, in accordance with the outcome of his examinations, on the financial statements of:

(a) any funds that he is required to audit pursuant to subsection 11(1);

(b) Crown agencies;

(c) Crown-controlled corporations; and

(d) accounts not related to public money that are, by an Act, required to be examined by him.

(2) Notwithstanding any other provision of this Act, the provincial auditor is not required to audit or report on the financial statements of a Crown agency or Crown-controlled corporation for which there is an appointed auditor. 1983, c.P-30.01, s.15; 1986-87-88, c.26, s.9.

Special assignments
16(1) Where:

(a) the Legislative Assembly or the Standing Committee of the Legislative Assembly on Public Accounts:

(i) requests the provincial auditor to perform a special assignment; and

(ii) causes the provincial auditor to be provided with the funding that the provincial auditor considers necessary to undertake the special assignment; and

(b) in the opinion of the provincial auditor, the special assignment will not unduly interfere with his other duties prescribed in this Act;

the provincial auditor shall perform the special assignment.

(2) Notwithstanding *The Tabling of Documents Act*:

(a) the provincial auditor shall submit to the Speaker, as soon as is practicable, the report of any special assignment prepared pursuant to subsection (1) on the request of the Legislative Assembly; and

(b) the Speaker shall, as soon as is practicable, lay before the Legislative Assembly each report received by him pursuant to clause (a).

(3) The provincial auditor shall submit to the Clerk of the Assembly a special report prepared pursuant to subsection (1) on the request of the Standing Committee of the Legislative Assembly on Public Accounts, and the clerk shall make the special report available to the members of that committee.

(4) Where:

(a) the Lieutenant Governor in Council:

(i) requests the provincial auditor to perform a special assignment; and

(ii) causes the provincial auditor to be provided with the funding that the provincial auditor considers necessary to undertake the special assignment; and

(b) in the opinion of the provincial auditor, the special assignment will not unduly interfere with his other duties prescribed in this Act;

the provincial auditor may perform the special assignment.

(5) The provincial auditor shall submit, as soon as is practicable, a special report prepared pursuant to subsection (4) to the Lieutenant Governor in Council. 1983, c.P-30.01, s.16.

Improper retention of public money

17 Whenever, in the opinion of the provincial auditor or another auditor who is appointed to undertake an audit of Crown agencies or Crown-controlled corporations, any public money or revenues or money collected or held by employees of Crown-controlled corporations have been improperly retained by any person, the provincial auditor or the other auditor, as the case may be, shall immediately report the circumstances of that case to the member of the Executive Council who is responsible for the department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation and the Minister of Finance. 1983, c.P-30.01, s.17.

Cancelled securities

18 The provincial auditor shall:

(a) cause to be examined debentures and other securities of the Government of Saskatchewan that have been redeemed;

(b) assure himself that the securities described in clause (a) have been properly cancelled; and

(c) at any time and to any extent that the Minister of Finance may require, participate in the destruction of any redeemed or cancelled securities or unissued reserves of securities. 1983, c.P-30.01, s.18.

Attendance before Public Accounts Committee
19 On the request of the Standing Committee of the Legislative Assembly on Public Accounts, the provincial auditor and any member of his office shall attend meetings of that committee to assist that committee:

(a) in planning the agenda for its review of the public accounts, the annual report of the provincial auditor, a special report prepared pursuant to section 13 or a report prepared pursuant to subsection 16(1) on the request of the committee; and

(b) during its review of the items described in clause (a). 1983, c.P-30.01, s.19.

AUDIT COMMITTEE

Audit committee
20(1) An audit committee, composed of not more than five persons appointed by the Lieutenant Governor in Council, is established.

(2) No Member of the Legislative Assembly is eligible to be a member of the audit committee.

(3) The Lieutenant Governor in Council shall designate one member of the audit committee as chairman.

(4) The audit committee may determine its rules of procedure. 1983, c.P-30.01, s.20.

Meetings of audit committee
21 On the request of the provincial auditor or the Minister of Finance, the chairman of the audit committee shall call a meeting of the audit committee to review any matter that, in the opinion of the provincial auditor or the Minister of Finance, as the case may be, should be considered by the committee. 1983, c.P-30.01, s.21.

Information on scope and results of audits
22 The provincial auditor may give the audit committee any information that he considers appropriate to enable the audit committee to advise the Lieutenant Governor in Council on the results of any audit or examination made by him. 1983, c.P-30.01, s.22.

Availability of reports
23 The provincial auditor shall present to the audit committee:

(a) his annual report; and

(b) any special report prepared pursuant to section 13;

before he submits the report to the Speaker. 1983, c.P-30.01, s.23.

GENERAL

Right to information, accommodation

24(1) The provincial auditor or the appointed auditor, as the case may be, is entitled:

(a) to free access, at all convenient times, to:

(i) all electronic data processing equipment and programs and documentation related to the electronic data processing equipment; and

(ii) all files, documents and other records relating to the accounts;

of every department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or other person that he is required to examine or audit or, in the case of the provincial auditor, with respect to which he is examining pursuant to a special assignment; and

(b) to require and receive from employees of a department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or other person subject to examination or audit by him any information, reports and explanations that he considers necessary for the proper performance of his duties.

(2) The provincial auditor or an appointed auditor, as the case may be, may station in any department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or with any other person subject to examination or audit by him any employee of his office or advisor, specialist or consultant to enable him more effectively to carry out his duties, and the department, Crown agency, Crown-controlled corporation or other person subject to examination or audit shall provide the necessary office accommodation for the employee, advisor, specialist or consultant person so stationed. 1983, c.P-30.01, s.24; 1986-87-88, c.26, s.10.

Inquiries

25 The provincial auditor may examine any person on any matter relating to any account that is subject to an examination or audit by him, and, for the purposes of that examination, he may exercise all the powers of commissioners under *The Public Inquiries Act*. 1983, c.P-30.01, s.25.

Working papers

26 Neither the provincial auditor nor any appointed auditor is required to lay any audit working papers of his office before the Legislative Assembly or any committee of the Legislature. 1983, c.P-30.01, s.26; 1986-87-88, c.26, s.11.

Change in auditor
26.1 Where the auditor of a Crown agency or Crown-controlled corporation has been changed, the new auditor and the previous auditor shall deal with the transition in accordance with the rules of professional conduct as established from time to time by the Institute of Chartered Accountants of Saskatchewan. 1986-87-88, c.26, s.12.

Auditor to audit office of provincial auditor
27(1) An accountant, who is:

(a) a member in good standing of the Institute of Chartered Accountants of Saskatchewan;

(b) not employed by a department of the Government of Saskatchewan, a Crown agency, a Crown-controlled corporation or the office of the provincial auditor; and

(c) appointed by the Lieutenant Governor in Council;

shall audit the accounts of the office of the provincial auditor.

(2) An auditor appointed under subsection (1) has the same powers and shall perform the same duties in relation to an audit of the office of the provincial auditor that the provincial auditor has or performs in relation to an audit performed pursuant to this Act.

(3) The auditor of the office of the provincial auditor shall submit his report to the Standing Committee of the Legislative Assembly on Public Accounts. 1983, c.P-30.01, s.27.

Fees
28 The provincial auditor may charge a reasonable fee for professional services provided by his office. 1983, c.P-30.01, s.28.

Limitation of liability
29 The provincial auditor, the employees in his office and any advisor, specialist or consultant engaged pursuant to section 7 are not liable in any action for any act done or not done or on any statement made by them in good faith in connection with any matter they are authorized or required to do under this Act. 1983, c.P-30.01, s.29.

Information confidential
30 The provincial auditor, any employee in his office, an appointed auditor, any employee of an appointed auditor or any advisor, specialist or consultant engaged pursuant to section 7:

(a) shall preserve secrecy with respect to all matters that come to his knowledge in the course of his employment or duties under this Act; and

(b) shall not communicate those matters to any person, other than when he is required to do so in connection with:

(i) the administration of this Act;

(ii) any proceedings under this Act; or

(iii) any proceedings in a court of law. 1983, c.P-30.01, s.30; 1986-87-88, c.26, s.13.

Appropriation

31 Subject to subsection 4(4), any sums required by the provincial auditor for the purposes of this Act are to be paid from moneys appropriated by the Legislature for the purpose. 1983, c.P-30.01, s.31; 1986-87-88, c.26, s.14.

Transitional

32(1) The person appointed on the day before the coming into force of this section as provincial auditor pursuant to *The Department of Financial Act*, as that Act existed on the day before the coming into force of this Act, is deemed to be appointed as provincial auditor pursuant to this Act.

(2) On the day this section comes into force, the members of the public service who are employed in the office of the provincial auditor cease to be employed in the public service and each such person becomes an employee of the office of the provincial auditor at a salary of not less than that he was receiving on the day before the day this section comes into force. 1983, c.P-30.01, s.32.

REGINA, SASKATCHEWAN
Printed by the authority of
THE QUEEN'S PRINTER

Appendix 2

List of and status of organizations subject to an examination under *The Provincial Auditor Act*

Appendix 2 lists the departments, Crown agencies, Crown-controlled corporations, special purpose and trust funds, offices of the Legislative Assembly and other organizations subject to an audit examination under *The Provincial Auditor Act* at December 31, 2000.

This Appendix includes the status of all the audits at April 30, 2001 for government organizations with fiscal periods ended December 31, 2000 or earlier. The Appendix also indicates whether we have significant issues to report as a result of our audits and where these issues are reported.

Our goal is to report the results of our audits of organizations with March fiscal year-ends in our fall reports and organizations with December fiscal year-ends in our spring reports. We have not completed the audits at some agencies. In most cases, the audits have been delayed. However, in a few cases, we have not been given access to the necessary information to complete the audits. To ensure we provide the Legislative Assembly and the public with timely reports, we do not delay our reports to accommodate delayed audits, but rather include their results in future reports.

Appendix 2

Public Agency	Year end on or before December 31, 2000	Status at April 30, 2001[1]	Significant issues reported[2]
Government of Saskatchewan – Summary Financial Statements	March 31	Complete	Yes/2000 Fall V1
Departments and Secretariats:			
Department of Agriculture and Food	March 31	Complete	No
Department of Economic and Co-operative Development	March 31	Complete	No
Department of Education	March 31	Complete	Yes/2001 Spring
Department of Energy and Mines	March 31	Complete	No
Department of Environment and Resource Management	March 31	Complete	Yes/2000 Fall V3
Department of Finance	March 31	Complete	Yes/2000 Fall V3
Department of Health	March 31	Complete	Yes/2000 Fall V3
Department of Highways and Transportation	March 31	Complete	No
Department of Intergovernmental and Aboriginal Affairs	March 31	Complete	No
Department of Justice	March 31	Complete	Yes/2000 Fall V3
Department of Labour	March 31	Complete	No
Department of Municipal Affairs, Culture and Housing	March 31	Complete	Yes/2001 Spring
Department of Post-Secondary Education and Skills Training	March 31	Complete	Yes/2001 Spring
Department of Social Services	March 31	Complete	Yes/2000 Fall V3
Executive Council	March 31	Complete	Yes/2000 Fall V3
Women's Secretariat	March 31	Complete	No
Crown Agencies:			
101000606 Saskatchewan Ltd.	December 31	Note 2	No
101000607 Saskatchewan Ltd.	December 31	Note 2	No
101005716 Saskatchewan Ltd.	December 31	Complete	Yes/2001 Spring
3231518 Canada Ltd. (click-a-bid)™	December 31	Complete	No
3339807 Canada Ltd.	December 31	Note 2	No
3364381 Canada Ltd.	December 31	Note 2	No
617275 Saskatchewan Ltd.	December 31	Complete	Yes/2001 Spring
620064 Saskatchewan Ltd.	December 31	Note 2	No
Agricultural Credit Corporation of Saskatchewan	March 31	Complete	No
Agricultural Implements Board	March 31	Complete	No
Agri-Food Innovation Fund	March 31	Complete	Yes/2001 Spring
Assiniboine Valley District Health Board	March 31	Rotational	
Associated Entities Fund	March 31	Complete	No
Avonlea Holding, Inc.	December 31	Note 2	No

Public Agency	Year end on or before December 31, 2000	Status at April 30, 2001[1]	Significant issues reported[2]
Battleford International Inc.	December 31	Note 2	No
Battlefords District Health Board	March 31	Complete	Yes/2000 Fall V3
Bayhurst Gas Limited	December 31	Complete	Yes/2001 Spring
Beef Development Board	March 31	Complete	No
Board of Governors, Uranium City Hospital	March 31	Complete	No
Canodev Research Inc.	July 31	Complete	No
Carlton Trail Regional College	June 30	Complete	Yes/2001 Spring
Carlyle Holding, Inc.	December 31	Note 2	No
Central Plains District Health Board	March 31	Complete	Yes/2000 Fall V3
Chicken Farmers of Saskatchewan	December 31	Note 1	
CIC Industrial Interests Inc.	December 31	Complete	Yes/2001 Spring
CIC Pulp Ltd.	December 31	Complete	Yes/2001 Spring
Crown Investments Corporation of Saskatchewan	December 31	Complete	Yes/2001 Spring
Cumberland Regional College	June 30	Rotational	
Cypress Hills Regional College	June 30	Rotational	
DirectWest Publishing Partnership	December 31	Complete	No
Dundurn Holding, Inc.	December 31	Note 2	No
East Central District Health Board	March 31	Complete	Yes/2000 Fall V3
Esterhazy Holding, Inc.	December 31	Note 2	No
First Nations Fund	March 31	Complete	Yes/2001 Spring
Foam Lake Holding, Inc.	December 31	Note 2	No
Gabriel Springs District Health Board	March 31	Rotational	
Genex Swine Group Inc.	September 30	Complete	Yes/2001 Spring
Greenhead District Health Board	March 31	Rotational	
Grenfell Holding, Inc.	December 31	Note 2	No
Health Services Utilization and Research Commission	March 31	Complete	No
Hollywood at Home Inc.	December 31	Note 2	No
Hospitality Network Canada Inc.	December 31	Note 2	No
Hospitality Network Canada Partnership	December 31	Complete	No
Information Services Corporation of Saskatchewan	December 31	Complete	No
IQ&A Corporation	December 31	Note 2	No
IQ&A Partnership	December 31	Complete	No
Keewatin Yathe District Health Board	March 31	Complete	Yes/2000 Fall V3
Law Reform Commission of Saskatchewan	March 31	Complete	No
Liquor and Gaming Authority	March 31	Complete	Yes/2000 Fall V2
Liquor Board Superannuation Commission, The	December 31	Complete	Yes/2001 Spring
Living Sky District Health Board	March 31	Rotational	

Appendix 2

Public Agency	Year end on or before December 31, 2000	Status at April 30, 2001[1]	Significant issues reported[2]
Lloydminster District Health Board	March 31	Rotational	
Mamawetan Churchill River District Health Board	March 31	Complete	Yes/2000 Fall V3
Many Islands Pipe Lines (Canada) Limited	December 31	Complete	Yes/2001 Spring
Midwest District Health Board	March 31	Rotational	
Milk Control Board	December 31	Complete	Yes/2001 Spring
Moose Jaw-Thunder Creek District Health Board	March 31	Rotational	
Moose Mountain District Health Board	March 31	Complete	Yes/2000 Fall V3
Municipal Employees' Pension Commission	December 31	Complete	No
Municipal Financing Corporation of Saskatchewan	December 31	Complete	No
Municipal Potash Tax Sharing Administration Board	December 31	Complete	No
North Central District Health Board	March 31	Rotational	
North Valley District Health Board	March 31	Rotational	
North West Regional College	June 30	Rotational	
North-East District Health Board	March 31	Complete	Yes/2000 Fall V3
Northern Enterprise Fund Inc.	December 31	Complete	Yes/2001 Spring
Northlands College	June 30	Complete	Yes/2000 Fall V3
Northwest District Health Board	March 31	Rotational	
Parkland District Health Board	March 31	Rotational	
Parkland Regional College	June 30	Rotational	
Pasquia District Health Board	March 31	Rotational	
Pipestone District Health Board	March 31	Rotational	
Power Corporation Superannuation Board	December 31	Complete	Yes/2001 Spring
Power Greenhouses Inc.	December 31	Complete	Yes/2001 Spring
Prairie Agricultural Machinery Institute	March 31	Complete	No
Prairie West District Health Board	March 31	Rotational	
Prairie West Regional College	June 30	Rotational	
Prince Albert District Health Board	March 31	Rotational	
Public Employees Pension Plan	March 31	Complete	No
Public Services Superannuation Board	March 31	Complete	Yes/2001 Spring
Regina District Health Board	March 31	Complete	Yes/2000 Fall V3
Rolling Hills District Health board	March 31	Rotational	
Sask Pork	December 31	Complete	No
Saskatchewan Alfalfa Seed Producers' Development Commission	July 31	Note 1	
Saskatchewan Apprenticeship and Trade Certification Commission	June 30	Complete	No
Saskatchewan Arts Board, The	March 31	Complete	No
Saskatchewan Auto Fund	December 31	Complete	Yes/2001 Spring

Public Agency	Year end on or before December 31, 2000	Status at April 30, 2001[1]	Significant issues reported[2]
Saskatchewan Broiler Hatching Egg Producers' Marketing Board	December 31	Note 1	
Saskatchewan Cancer Foundation	March 31	Complete	No
Saskatchewan Canola Development Commission	July 31	Complete	No
Saskatchewan Centre of the Arts	March 31	Complete	No
Saskatchewan Communications Network Corporation	March 31	Complete	No
Saskatchewan Crop Insurance Corporation	March 31	Complete	No
Saskatchewan Development Fund Corporation	December 31	Complete	Yes/2001 Spring
Saskatchewan Egg Producers	December 31	Note 1	
Saskatchewan Flax Development Commission	July 31	Note 1	
Saskatchewan Gaming Corporation	March 31	Complete	No
Saskatchewan Government Growth Fund Ltd.	December 31	Complete	Yes/2000 Fall V3
Saskatchewan Government Growth Fund II Ltd.	December 31	Complete	Yes/2000 Fall V3
Saskatchewan Government Growth Fund III Ltd.	December 31	Complete	Yes/2000 Fall V3
Saskatchewan Government Growth Fund IV Ltd.	December 31	Complete	Yes/2000 Fall V3
Saskatchewan Government Growth Fund V (1997) Ltd.	December 31	Complete	Yes/2000 Fall V3
Saskatchewan Government Growth Fund VI Ltd.	December 31	Complete	Yes/2000 Fall V3
Saskatchewan Government Growth Fund VII Ltd.	December 31	Complete	Yes/2000 Fall V3
Saskatchewan Government Growth Fund VIII Ltd.	December 31	Complete	Yes/2000 Fall V3
Saskatchewan Government Growth Fund Management Corporation	December 31	Complete	Yes/2000 Fall V3
Saskatchewan Government Insurance	December 31	Complete	Yes/2001 Spring
Saskatchewan Government Insurance Superannuation Plan	December 31	Complete	No
Saskatchewan Grain Car Corporation	July 31	Complete	No
Saskatchewan Health Information Network	March 31	Complete	Yes/2000 Fall V3
Saskatchewan Heritage Foundation	March 31	Complete	No
Saskatchewan Housing Corporation	December 31	Complete	Yes/2001 Spring
Saskatchewan Institute of Applied Science and Technology	June 30	Complete	No
Saskatchewan Lotteries Trust Fund for Sports, Culture and Recreation	March 31	Complete	No
Saskatchewan Municipal Board	March 31	Complete	No

Appendix 2

Public Agency	Year end on or before December 31, 2000	Status at April 30, 2001[1]	Significant issues reported[2]
Saskatchewan Opportunities Corporation	December 31	Complete	Yes/2001 Spring
Saskatchewan Pension Annuity Fund	March 31	Complete	No
Saskatchewan Pension Plan	December 31	Complete	Yes/2001 Spring
Saskatchewan Power Corporation	December 31	Complete	Yes/2001 Spring
Saskatchewan Property Management Corporation	March 31	Complete	No
Saskatchewan Pulse Crop Development Board	August 31	Note 1	
Saskatchewan Research Council, The	March 31	Complete	No
Saskatchewan Sheep Development Board	September 30	Note 1	
Saskatchewan Telecommunications	December 31	Complete	Yes/2001 Spring
Saskatchewan Telecommunications Holding Corporation	December 31	Complete	Yes/2001 Spring
Saskatchewan Telecommunications International, Inc.	December 31	Complete	Yes/2001 Spring
Saskatchewan Trade and Export Partnership Inc.	March 31	Note 1	
Saskatchewan Transportation Company	December 31	Complete	Yes/2001 Spring
Saskatchewan Turkey Producers' Marketing Board	December 31	Note 1	
Saskatchewan Water Corporation	December 31	Complete	Yes/2001 Spring
Saskatchewan Wetland Conservation Corporation	March 31	Complete	No
Saskatoon District Health Board	March 31	Complete	Yes/2000 Fall V3
SaskEnergy Chilean Holdings I Ltd.	December 31	Complete	Yes/2001 Spring
SaskEnergy Chilean Holdings II Ltd.	December 31	Complete	Yes/2001 Spring
SaskEnergy Chilean Holdings Limitada	December 31	Complete	Yes/2001 Spring
SaskEnergy Incorporated	December 31	Complete	Yes/2001 Spring
SaskEnergy International Incorporated	December 31	Complete	Yes/2001 Spring
SaskPen Properties Ltd.	December 31	Denied Access	
SaskPower International Inc.	December 31	Complete	Yes/2001 Spring
SaskTel Data Exchange Inc.	December 31	Note 2	No
SaskTel Holding (Australia), Inc.	December 31	Note 2	No
SaskTel Holding (New Zealand) Inc.	December 31	Note 2	No
SaskTel Holding (U.K.) Inc.	December 31	Note 2	No
SaskTel International Consulting, Inc.	December 31	Note 2	No
SaskTel International (Tanzania) Limited	December 31	Note 2	No
SaskTel Investments Inc.	December 31	Note 2	No
SaskTel New Media Fund Inc.	December 31	Note 2	No
SecurTek Monitoring Solutions Inc.	December 31	Complete	No
SGC Holdings Inc.	March 31	Complete	No
SGI CANADA Insurance Services Ltd.	December 31	Complete	Yes/2001 Spring

Public Agency	Year end on or before December 31, 2000	Status at April 30, 2001[1]	Significant issues reported[2]
South Central District Health Board	March 31	Rotational	
South Country District Health Board	March 31	Rotational	
South East District Health Board	March 31	Rotational	
Southeast Regional College	June 30	Complete	Yes/2000 Fall V3
Southwest District Health Board	March 31	Complete	Yes/2000 Fall V3
SP Two Properties Ltd.	March 31	Denied Access	
St. Louis Alcoholism Rehabilitation Centre	March 31	Complete	No
Swan Valley Gas Corporation	December 31	Complete	No
Swift Current District Health Board	March 31	Rotational	
Teachers' Superannuation Commission	June 30	Delayed	Yes/2001 Spring
TecMark International Commercialization Inc.	March 31	Complete	No
Touchwood Qu'Appelle District Health Board	March 31	Rotational	
TransGas Limited	December 31	Complete	Yes/2001 Spring
Twin Rivers District Health Board	March 31	Rotational	
Water Appeal Board	March 31	Complete	No
Western Development Museum	March 31	Complete	No
Workers' Compensation Board	December 31	Complete	Yes/2001 Spring
Workers' Compensation Board Superannuation Plan	December 31	Complete	Yes/2001 Spring
Special Purpose and Trust Funds:			
Agri-Food Equity Fund	March 31	Complete	No
Big Game Damage Compensation Fund	March 31	Complete	No
Capital Pension Plan	December 31	Complete	No
Cattle Marketing Deductions Fund	March 31	Complete	No
Commercial Revolving Fund	March 31	Complete	Yes/2000 Fall V3
Conservation and Development Revolving Fund	March 31	Complete	No
Correctional Facilities Industries Revolving Fund	March 31	Complete	No
Correspondence School Revolving Fund	March 31	Complete	No
Crop Reinsurance Fund of Saskatchewan	March 31	Complete	No
Doukhobors of Canada C.C.U.B. Trust Fund	May 31	Complete	No
Extended Health Care Plan	December 31	Complete	No
Extended Health Care Plan for Certain Other Employees	December 31	Complete	No
Fish and Wildlife Development Fund	March 31	Complete	Yes/2000 Fall V3
General Revenue Fund	March 31	Complete	Yes/2000 Fall V3
Highways Revolving Fund	March 31	Complete	No
Horned Cattle Fund	March 31	Complete	No

Appendix 2

Public Agency	Year end on or before December 31, 2000	Status at April 30, 2001[1]	Significant issues reported[2]
Judges of the Provincial Court Superannuation Plan	March 31	Complete	No
Learning Resources Distribution Centre Revolving Fund	March 31	Complete	Yes/2001 Spring
Livestock Services Revolving Fund	March 31	Complete	No
Members of the Legislative Assembly Superannuation Plan	March 31	Complete	Yes/2001 Spring
Northern Revenue Sharing Trust Account	December 31	Complete	No
Office of the Rentalsman – Rentalsman's Trust Account	March 31	Complete	No
Oil and Gas Environmental Fund	March 31	Complete	No
Private Vocational Schools Training Completions Fund	March 31	Complete	No
Provincial Mediation Board Trust Account	March 31	Complete	No
Public Employees Benefits Agency Revolving Fund	March 31	Complete	No
Public Employees Deferred Salary Leave Fund	December 31	Complete	No
Public Employees Dental Fund	December 31	Complete	No
Public Employees Disability Income Fund	December 31	Complete	No
Public Employees Group Life Insurance Fund	December 31	Complete	No
Public Trustee for Saskatchewan	March 31	Complete	Yes/2001 Spring
Queen's Printer Revolving Fund	March 31	Complete	No
Resource Protection and Development Revolving Fund	March 31	Complete	Yes/2000 Fall V3
Sask 911 Account	March 31	Complete	No
Saskatchewan Agricultural Stabilization Fund	March 31	Complete	Yes/2001 Spring
Saskatchewan Development Fund	December 31	Complete	Yes/2001 Spring
Saskatchewan Legal Aid Commission	March 31	Complete	No
Saskatchewan Legal Aid Commission Client Trust Accounts	March 31	Complete	No
Saskatchewan Research Council Employees' Pension Plan	December 31	Complete	No
Saskatchewan Snowmobile Fund	March 31	Complete	No
Saskatchewan Student Aid Fund	March 31	Complete	Yes/2000 Fall V3
Saskatchewan Telecommunications Pension Plan	December 31	Complete	No
SaskPower Supplementary Superannuation Plan	December 31	Delayed	
School Division Tax Loss Compensation Fund	March 31	Complete	No
Social Services Central Trust Account	March 31	Complete	No

Public Agency	Year end on or before December 31, 2000	Status at April 30, 2001[1]	Significant issues reported[2]
Staff Pension Plan for Employees of the Saskatchewan Legal Aid Commission	December 31	Complete	No
Transportation Partnerships Fund	March 31	Complete	No
Trust Accounts at Court House, Local Registrars and Sheriff's Offices	March 31	Complete	No
Victims' Fund	March 31	Complete	No
Other organizations subject to examination under *The Provincial Auditor Act*:			
Board of Internal Economy	March 31	Complete	Yes/2000 Fall V3
Chief Electoral Office	March 31	Complete	Yes/2000 Fall V3
Conflict of Interest Commissioner	March 31	Complete	No
Information and Privacy Commissioner	March 31	Complete	No
Ombudsman and Children's Advocate, Office of the	March 31	Complete	No
Pension Plan for the Eligible Employees at the University of Saskatchewan, 1974	December 31	Delayed	
Saskatchewan Archives Board, The	March 31	Complete	Yes/2001 Spring
Saskatchewan Indian Gaming Authority Inc.	March 31	Complete	Yes/2000 Fall V3
University of Regina Academic and Administrative Employees Pension Plan	December 31	Delayed	
University of Regina Crown Foundation	April 30	Complete	No
University of Regina Master Trust	December 31	Delayed	
University of Regina Non-Academic Pension Plan	December 31	Delayed	
University of Regina Pension Plan for Eligible Part-Time Employees	December 31	Delayed	
University of Regina, The	April 30	Complete	No
University of Saskatchewan Academic Employees' Pension Plan	December 31	Delayed	
University of Saskatchewan and Federated Colleges Non-Academic Pension Plan	December 31	Delayed	
University of Saskatchewan Clinicians Service-Side Pension Plan	December 31	Delayed	
University of Saskatchewan Crown Foundation	April 30	Complete	No
University of Saskatchewan Long Term Disability Fund	April 30	Complete	No
University of Saskatchewan, The	April 30	Complete	No

Appendix 2

Note 1: We did not participate in these audits.

In 1999, the Department of Agriculture and Food and our Office agreed that the most efficient way for our Office to examine these smaller agricultural marketing and development agencies would be to work through the Agricultural and Food Products Development and Marketing Council. As part of our audit of the Department of Agriculture and Food, we examine the supervisory work carried out by the Council regarding the financial statements of these agencies and the rules and procedures to safeguard and control their assets and to comply with legislative authorities.

In 1999, the Department of Economic and Co-operative Development and our Office agreed, as part of the annual audit of the Department, that we would examine the supervisory work carried out by the Department over the Saskatchewan Trade and Export Partnership Inc.

Note 2: These entities are wholly or partially-owned subsidiaries of Saskatchewan Telecommunications Holding Corporation (Corporation). They are included in the consolidated financial statements of the Corporation. For the year ending December 31, 2000, these entities did not carry out active operations.

---

[1] "Complete" – the audit was complete at April 30, 2001;
"Delayed" – the audit was delayed;
"Rotational" – for a few sectors (i.e., health districts and regional colleges), we carry out the audits of the most significant entities and use a rotational approach for the remainder. We list entities in rotation whose audits were complete at April 30, 2001 as "Complete". We list entities we did not audit in the year because of their position in the rotation as "Rotational".
"Denied Access" – in a few cases, we have not been given access to the necessary information to complete the audits.

[2] "No" - no significant issues were reported;
"Yes/1999 Fall V2" – significant issues were reported in our 1999 Fall Report – Volume 2;
"Yes/2000 Spring" – significant issues were reported in our 2000 Spring Report;
"Yes/2000 Fall V2" – significant issues were reported in our 2000 Fall Report – Volume 2;
"Yes/2000 Fall V3" – significant issues were reported in our 2000 Fall Report – Volume 3; and
"Yes/2001 Spring" – significant issues are reported in our 2001 Spring Report.

Appendix 3

Examples of opinions we form on departments, Crown agencies, and Crown-controlled corporations

Our mission states "We encourage accountability and effective management in government operations". We do this by examining and reporting on:

- the reliability of financial information;
- compliance with authorities;
- the adequacy of management systems and practices related to financial reporting, compliance with authorities and safeguarding assets; and
- the adequacy of management systems and practices related to due regard to economy, efficiency and effectiveness.

Our examinations and reports focus on the Government as a whole, sectors or programs of government, and individual government organizations. This Appendix contains examples of the audit opinions we form to provide our assurances on financial statements, compliance with authorities, and management practices in this Report. We use the auditing standards recommended by The Canadian Institute of Chartered Accountants to form our opinions.

1. **Following is an example of the opinion we form on the adequacy of the control systems used by an agency to safeguard and control public money.**

> I have examined the system of internal control of [Crown Agency X] in effect as at [date]. I did not examine certain aspects of internal control concerning the effectiveness, economy, and efficiency of certain management decision making processes. The criteria for the examination of this system of internal control consisted of the control environment and control systems described in The Canadian Institute of Chartered Accountants Handbook.
>
> My examination was conducted in accordance with generally accepted auditing standards. Those standards require that I plan and perform an examination to obtain reasonable assurance whether the system of internal control established and maintained by management is sufficient

to meet the control objectives referred to below. Such an examination includes obtaining an understanding of the system of internal control and performing tests of controls to determine whether the internal controls exist and operate effectively.

The management of [Crown Agency X] is responsible for establishing and maintaining a system of internal control to achieve the control objectives noted in (a) to (d) below. In fulfilling this responsibility, estimates and judgement by management are required to assess the expected benefits and related costs of control procedures. Pursuant to my responsibilities under Section 11(1) of The Provincial Auditor Act, I am required to determine that there is a system of internal control in effect which provides management with reasonable, but not absolute, assurance that:

a) the accounts are faithfully and properly kept to permit the preparation of financial statements in accordance with the appropriate basis of accounting;

b) all public money is fully accounted for and properly disposed of and the rules and procedures applied are sufficient to ensure an effective check on the assessment, collection and proper allocation of public money;

c) transactions are executed in accordance with management's authorization, public money expended is applied to the purpose for which it was appropriated by the Legislature and the expenditures have adequate statutory authority; and

d) essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public money against loss from unauthorized use or disposition.

Because of the inherent limitations in any system of internal control, errors or fraud may occur and not be detected. Also, projection of any evaluation of the system of internal control to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

In my opinion, based upon the above criteria, the system of internal control of [Crown Agency X] in effect as at [date], taken as a whole, was sufficient to meet the objectives stated above insofar as those objectives pertain to the prevention or detection of errors or fraud in amounts that would be material in relation to [Crown Agency X].

Or if the examination disclosed conditions that, individually or in combination result in one or more material weaknesses, the opinion paragraph should be modified as follows:

My examination disclosed the following conditions in the system of internal control of [Crown Agency X] as at [date] which in my opinion, based upon the above criteria, resulted in more than a relatively low risk that errors or fraud in amounts that would be material in relation to [Crown Agency X] may occur and not be detected within a timely period.

The report should go on to describe all material weaknesses, state whether they resulted from the absence of control procedures or the degree of compliance with them, and describe the general nature of the potential errors or fraud that may occur as a result of the weaknesses.

City Date

Chartered Accountant

2. **Following is an example of the opinion we form on an agency's compliance with the law regarding its spending, revenue raising, borrowing and investing activities.**

I have made an examination to determine whether [Crown Agency X] complied with the provisions of the following legislative and related authorities pertaining to its financial reporting, safeguarding assets, spending, revenue raising, borrowing and investing activities during the year ended [date]:

(List legislative and related authorities covered by this report. This list must include all governing authorities.)

My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, [Crown Agency X] has complied, in all significant respects, with the provisions of the aforementioned legislative and related authorities during the year ended [date].

(The report should provide adequate explanation with respect to any reservation contained in the opinion together with, if relevant and practicable, the monetary effect.)

City Date

Chartered Accountant

Appendix 3

3. **Following is an example of the opinion we form on the financial statements prepared by management of an agency.**

I have audited the balance sheet of [Crown Agency X] as at [date] and the statements of income, retained earnings and changes in financial position for the year then ended. The [Crown Agency X]'s management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the [Crown Agency X] as at [date] and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

City Date Chartered Accountant

Appendix 4

Reports of appointed auditors

Appendix 4 contains the reports of appointed auditors that we have not relied on and the report of the appointed auditor indicates a matter or issue that should be reported to the Assembly.

Appendix 4 does not contain the reports of appointed auditors that indicate a matter or issue to report to the Assembly when we have not yet done our work. Appendix 2 contains a list of work not done.

Crown Agency	Page
Workers' Compensation Board	4-2

Appendix 4

WORKERS' COMPENSATION BOARD
YEAR ENDED DECEMBER 31, 2000

To: Province of Saskatchewan,
Provincial Auditor

We have examined the financial statements of the Workers' Compensation Board (Saskatchewan) for the year ended December 31, 2000 and have issued our report thereon dated March 12, 2001. We have examined the system of internal control as at December 31, 2000 and have issued our report to you dated March 12, 2001. We have also made an examination to determine whether the Workers' Compensation Board complied with specified legislative and related authorities pertaining to its financial reporting, safeguarding of assets, spending, revenue-raising, borrowing and investing activities during the year ended December 31, 2000 and have issued our report to you dated March 12, 2001.

Our examinations were made in accordance with Canadian generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. In those instances, if any, that our study and evaluation of internal control disclosed conditions indicating controls were inadequate or not complied with, substantive tests were performed to detect any cases in which:

1) any officer or employee of the Workers' Compensation Board has wilfully or negligently omitted to collect or receive public money belonging to the Crown;
2) there has been a deficiency or loss to the Crown through the fraud, default or mistake of any person; and
3) an expenditure was made which was not properly vouchered or certified.

During the course of these examinations, nothing came to our attention that would indicate to us that:

1) any officer or employee of the Workers' Compensation Board has wilfully or negligently omitted to collect or receive public money belonging to the Crown;
2) there has been a deficiency or loss to the Crown through the fraud, default or mistake of any person; and
3) an expenditure was made which was not properly vouchered or certified.

During the course of our previous and current examinations, however, the following circumstances came to our attention concerning the inclusion of the accounts of the Workers' Compensation Board in the Government of Saskatchewan Summary Financial Statements.

The accounts of the Board are currently being consolidated in the Summary Financial Statements on the basis that the Worker's Compensation Board is considered to be a government enterprise that is owned or controlled by the Government. In conducting our audit at the Board, we formed the view that this basis for consolidation is inappropriate since it does not correspond with the Board's legislative authorities. The Board does not consider the net assets of the Workers' Compensation Board, amounting to $136,992,000 as at December 31, 2000 (1999 - $132,296,000) to be that of the Governments. This surplus therefore should not be recorded in the Summary Financial Statements to reduce the accumulated deficit of the Government. It is the Board's considered opinion that these net assets do not accrue to the Government.

Chartered Accountants
March 12, 2001

Provincial Auditor's comments:

We think the Government's Summary Financial Statements comply with The Canadian Institute of Chartered Accountants' (CICA) recommendations. Those recommendations state:

> The Government reporting entity should comprise of organizations that are accountable for the administration of their financial affairs and resources either to a minister of the government or directly to the legislature, or local government, and are owned or controlled by the Government.

CICA goes on to say:

> A government may choose not to exercise its authority or actively participate in the implementation of its policies; nevertheless, control exists by virtue of the government's ability to do so.

The Government does have the ability to control the Workers' Compensation Board (WCB) in administering the workers' compensation program. The Government can and does influence the WCB's decisions by virtue of the Government's authority set out in *The Workers' Compensation Act, 1979*.

Subsection 181(2) of the Act states:

> The Lieutenant Governor in Council may make regulations setting out guidelines for the making of decisions by the board, and a regulation made pursuant to this subsection supersedes any policy directive of the board that conflicts with it.

We also note the Government's Summary Financial Statements clearly state that any net assets of the WCB are not available for the payment of dividends to the General Revenue Fund.

Appendix 4

WORKERS' COMPENSATION BOARD
YEAR ENDED DECEMBER 31, 2000

To: Province of Saskatchewan
Provincial Auditor

We have examined the system of internal control of the Workers' Compensation Board (Saskatchewan) in effect as at December 31, 2000. We did not examine certain aspects of internal control concerning the effectiveness, economy, and efficiency of certain management decision making processes. The criteria for the examination of this system of internal control consisted of the control environment and control systems described in the Canadian Institute of Chartered Accountants Handbook.

Our examination was conducted in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an examination to obtain reasonable assurance whether the system of internal control established and maintained by management is sufficient to meet the control objectives referred to below. Such an examination includes obtaining an understanding of the system of internal control and performing tests of control to determine whether the internal controls exist and operate effectively.

The management of the Workers' Compensation Board is responsible for establishing and maintaining a system of internal control to achieve the control objectives noted in a) to d) below. In fulfilling this responsibility, estimates and judgement by management are required to assess the expected benefits and related costs of control procedures. Pursuant to your responsibilities under Section 11(1) of The Provincial Auditor Act, you are required to determine if there is a system of internal control in effect which provides management with reasonable, but not absolute, assurance that:

a) the accounts are faithfully and properly kept to permit the preparation of financial statements in accordance with the appropriate basis of accounting;
b) all public money is fully accounted for and properly disposed of and the rules and procedures applied are sufficient to ensure an effective check on the assessment, collection and proper allocation of public money;
c) transactions are executed in accordance with management's authorization, public money expended is applied to the purpose for which it was appropriated by the Legislature and the expenditures have adequate statutory authority; and
d) essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public money against loss from unauthorized use or disposition.

Because of the inherent limitations in any system of internal control, errors or fraud may occur and not be detected. Also, projection of any evaluation of the system of internal control to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

During the year, the Board continued its investigation of options available to establish an organization-wide security policy covering all aspects of the Board's computer operations and systems. At year-end, the policy had been developed but had not yet been approved by the Board's management. As a result, there is a continuing risk of security measures being applied by management inconsistently or inadequately.

The Board's computer operations and systems are pervasive and must be available to ensure continuity of the Board's operations. Although there has been progress on establishing disaster recovery plans for certain platforms, these do not cover all the systems. Accordingly, there is a continuing risk of systems not being available to provide services to the Board if a disaster occurs.

In our opinion, based upon the above criteria, except for the matters described in the proceeding paragraphs, the system of internal control of the Workers' Compensation Board in effect as at December 31, 2000, taken as a whole, was sufficient to meet the objectives stated above insofar as those objectives pertain to the prevention or detection of errors or fraud in amounts that would be material in related to the Workers' Compensation Board.

Chartered Accountants
March 12, 2001

Appendix 4

WORKERS' COMPENSATION BOARD
YEAR ENDED DECEMBER 31, 2000

To: Province of Saskatchewan
Provincial Auditor

We have made an examination to determine whether the Workers' Compensation Board (Saskatchewan) complied with the provisions of the following legislative and related authorities pertaining to its financial reporting, safeguarding of assets, spending, revenue raising, borrowing and investing activities during the year ended December 31, 2000:

The Workers' Compensation Act, 1979
The Financial Administration Act, 1993
The Tabling of Documents Act, 1991
The Members' Conflict of Interest Act
The Occupational Health and Safety Act, 1993
The Income Tax Act
The Workers' Compensation Board Superannuation Act
The Superannuation (Supplementary Provisions) Act
Regulations and Orders in Council pursuant to the above Legislation

Our examination was made in accordance with Canadian generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, the Workers' Compensation Board (Saskatchewan) has complied, in all significant respects, with the provisions of the aforementioned legislative and related authorities during the year ended December 31, 2000.

Chartered Accountants
March 12, 2001